HEALTH SERVICES AND DEVELOPMENT AGENCY MEETING
JANUARY 23, 2013
APPLICATION SUMMARY

NAME OF PROJECT:	Select Specialty Hospital-Nashville
PROJECT NUMBER:	CN1210-053
ADDRESS:	2000 Hayes Street, Suite 1502 Nashville (Davidson County), TN 37203
LEGAL OWNER:	Select Medical Corporation 4714 Gettysburg Road Mechanicsburg (Cumberland), PA 17055
OPERATING ENTITY:	Select Specialty Hospital-Nashville 2000 Hayes Street, Suite 1502 Nashville (Davidson County), TN 37203
CONTACT PERSON:	E. Graham Baker, Jr., Attorney (615) 383-3332
DATE FILED:	October 15, 2012
PROJECT COST:	$3,485,811.47
FINANCING:	Cash Reserves
REASON FOR FILING:	Addition of Thirteen (13) long term acute care (LTAC) beds to its current forty-seven (47) bed LTAC hospital

DESCRIPTION:

Select Specialty Hospital is seeking approval for the addition of thirteen (13) long-term acute care beds to its current forty-seven (47) bed LTAC hospital located at 2000 Hayes Street, Suite 1502, Nashville, (Davidson County), TN 37203. The applicant is also in the process of adding ten (10) beds through the exemption for hospitals with less than 100 beds. If approved, the final bed count for the facility will be seventy (70) LTAC beds. There is no major medical

equipment involved with this project. No other health services will be initiated or discontinued. If approved, the projected initiation of service is June 2013.

SPECIFIC CRITERIA AND STANDARDS REVIEW:

LONG TERM CARE HOSPITAL BEDS

A. Need

1. The need for long term care hospital (LTH) beds shall be determined by applying the guidelines of (0.5) beds per 10,000 population in the service area of the proposal.

   The bed need was calculated by the Tennessee Department of Health, Division for Policy, Planning and Assessment. The 2015 bed need for the proposed Community Services Agency (CSA) service area is 124 beds. There are currently 107 licensed beds in the service area. According to the formula, there is a need for an additional seventeen (17) beds in the proposed service area.

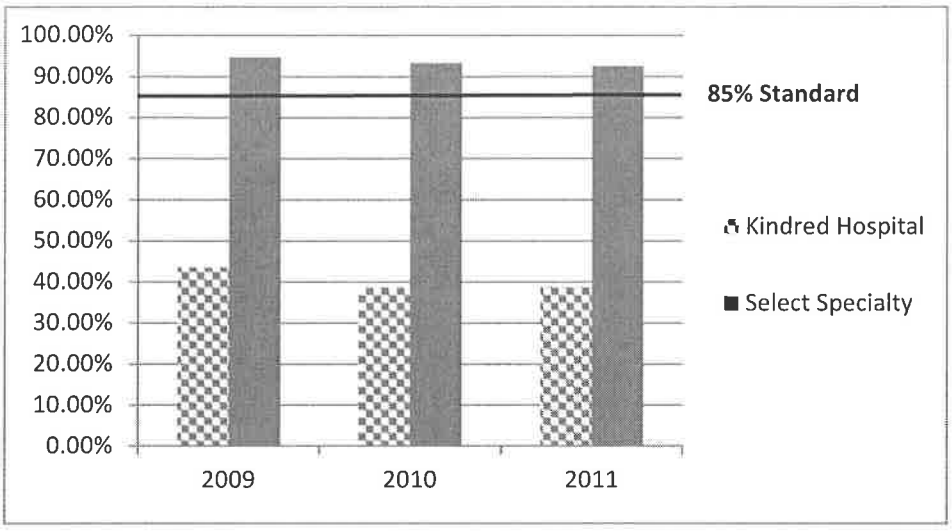
   It appears that this criterion is met.

2. If the project is a bed addition, existing long term care hospital beds must have a minimum average occupancy of 85%.

   There are two long term care hospitals in the proposed service area. The applicant, Select Specialty Hospital–Nashville (47 beds), has experienced occupancy rates of 94.7% in 2009, 93.3% in 2010 and 92.6 in 2011%. Kindred Hospital (60 beds) has operated at 43.6%, 38.7% and 38.8% for the past three Joint Annual Report years 2009-2011.

   It appears that this criterion is not met.

Service Area LTACH Occupancy Rates
2009-2011



Source: Tennessee Department of Health JAR

3. The population shall be the current year's population, projected two years forward.

   The Tennessee Department of Health, Division of Policy, Planning and Assessment projected the current total population of the Tennessee portion of the service area two years forward (2,484,904 residents in CY2015).

   It appears that this criterion is met.

4. The primary service area cannot be smaller than the applicant's Community Service Area (CSA). If LTH beds are proposed within an existing hospital, CSAs served by the existing facility can be included along with consideration for populations in adjacent states when the applicant provides documentation (such as admission sources from the Joint Annual Report).

   The applicant's facility resides in the Davidson County Community Services (CSA) Region. The applicant has also included Middle Tennessee counties that are included in the Mid-Cumberland and South Central CSA Regions.

   It appears that this criterion is met.

5. Long-term care hospitals should have a minimum size of 20 beds.

The applicant currently is licensed for 47 beds.

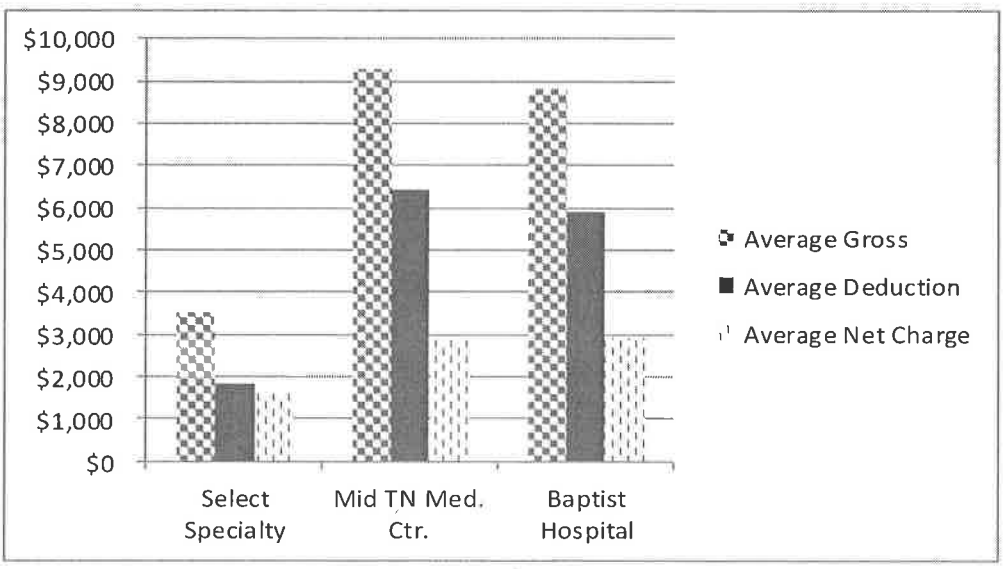
It appears that this criterion is met.

B. Economic Feasibility

1. The payer costs of a long-term hospital should demonstrate a substantial saving, or the services should provide additional benefit to the patient over the payer cost or over the provision of short-term general acute care alternatives, treating a similar patient mix of acuity.

This criterion is met. The applicant projects the thirteen (13) bed proposed addition to have a gross charge of $3,397, average deduction of $1,739 and average net charge of $1,658. The applicant compares proposed charges of Select Specialty Hospital to Middle Tennessee Medical Center (MTMC) in Murfreesboro (Rutherford County), TN. MTMC (an acute general care hospital) experienced gross charges of $3,397, average deduction of $1,739 and an average net charge of $2,881. In the supplemental response, the applicant compares charges to Baptist Hospital (an acute care hospital) located in Nashville (Davidson County), TN. Baptist Hospital experienced average gross charges of $8,820, average deduction of $5,913 and an average Net Charge of $2,907.

It appears that this criterion is met.



Source: Tennessee Department of Health JAR

2. The payer costs should be such that the facility will be financially accessible to a wide range of payers as well as to adolescent and adult patients of all ages.

The TennCare Managed Care Organizations contracted by the Bureau of TennCare to provide services in the applicant's service area are UHC Community Plan and AmeriGroup. It is not clear if the applicant has a contract with UHC. The applicant does state in the application that UHC does not refer to Select Specialty Hospital-Nashville.

The applicant does not have a contract with AmeriGroup, but uses single-case agreements to admit patients. The proposed project appears to not be financially accessible to TennCare members enrolled with UHC Community Plan and AmeriGroup.

It appears that this criterion is <u>not met.</u>

Note to Agency members: AmeriGroup defines a single case agreement as follows: "an agreement executed with an out-of-network provider for a single episode of care to render specific services to a particular member when there is not an available participating provider to treat a particular member within the applicable State-required geographic access standard area, a particular member requires specific services that are not available through a participating provider or to maintain continuity of care with out-of-network provider".
Source: AmeriGroup Reimbursement by Single Case Agreement with Nonparticipating Providers Policy effective 1/31/2009.

The applicant's historical payor source is 57.21% Medicare, 7.12% Medicaid, HMO 13.74%, 19.89% commercial and 2.04% worker's comp.

3. Provisions will be made so that a minimum of 5% of the patient population using long-term acute care beds will be charity or indigent care.

This criterion is met. The applicant assigns a DRG (diagnostic related group) code to each patient at admission. The applicant in 2011 provided 3,066 DRG unfunded patient days in 2011 totaling $4,383,042, or 8.2% of gross revenue.

It appears that this criterion has been <u>met.</u>

C. Orderly Development

1. Services offered by the long term care hospital must be appropriate for medically complex patients who require daily physician intervention, 24 hours access per day of professional nursing (requiring approximately 6-8 hours per patient day of nursing and therapeutic services), and on-site support and access to appropriate multi-specialty medical consultants.

   Select Specialty Hospital-Nashville is an existing LTACH provider that is already providing this level of service.

   It appears that this criterion is met.

   Patient services should be available as needed for the most appropriate provision of care. These services should include restorative inpatient medical care, hyperalimentation, care of ventilator dependent patients, long term antibiotic therapy, long-term pain control, terminal AIDS care, and management of infectious and pulmonary diseases.

   Select Specialty Hospital-Nashville is an existing LTACH provider that is already providing these services.

   It appears that this criterion is met.

   Also, to avoid unnecessary duplication, the project should not include services such as obstetrics, advanced emergency care, and other services which are not operationally pertinent to long term care hospitals.

   Select Specialty Care-Nashville is not proposing any other services other than the addition of thirteen (13) long-term acute care beds.

   It appears that this criterion is met.

2. The applicant should provide assurance that the facility's patient mix will exhibit an annual average aggregate length of stay greater than 25 days as calculated by the Health Care Finance Administration

(HCFA), and will seek licensure only as a hospital.

The average length of stay of the applicant is 33 days. The applicant is already licensed as an LTACH.

It appears that this criterion is met.

3. The applicant should provide assurance that the projected caseload will require no more than three (3) hours per day of rehabilitation.

   The applicant provided 1.53 rehab days per patient in 2011 and 1.63 rehab days per patient in 2012.

   It appears that this criterion is met.

4. Because of the very limited statewide need for long term hospital beds, and their high overall acuity of care, these beds should be allocated only to community service areas and be either inside or in close proximity to tertiary referral hospitals, to enhance physical accessibility to the largest concentration of services, patients, and medical specialists.

   The applicant is located across the street from Baptist Hospital, and within a few miles of St. Thomas Medical Center, Vanderbilt University Medical center and Centennial Medical Center.

   It appears that this criterion is met.

5. In order to insure that the beds and the facility will be used for the purpose certified, any certificate of need for a long term care hospital should he conditioned on the institution being certified by the Health Care Financing Administration as a long term care hospital, and qualifying as PPS-exempt under applicable federal guidelines. If such certification is received prior to the expiration date of the certificate of need, as provided in Tennessee Code Annotated (TCA), Section 68-11-108(c), the certificate of need shall expire, and become null and void.

   The applicant agreed in the application to abide by the conditions and terms listed above.

It appears that this criterion is met.

SUMMARY:

The applicant states Select Specialty Hospital-Nashville, an operationally freestanding building, will continue to focus on the long term care patient who has an average length of stay in excess of twenty-five (25) days. The applicant will rely on patients being transferred from area short-term acute care hospitals. The applicant states 60% of their current patients are ventilator patients with a current length of stay of 33 days. The applicant has transfer agreements with Seton Corporation (Baptist Hospital), Centennial Medical Center and Vanderbilt University Medical Center all located in Nashville (Davidson County), TN.

The applicant is located across the street from Baptist Hospital located in Nashville and is centrally located in Davidson County. The applicant considers the location of Select Specialty Hospital-Nashville to the proximity of acute care hospitals will directly influences admissions.

Select Specialty Hospital-Nashville was approved during the May 24, 2000 Health Facilities Commission Meeting (CN0002-016A) for the establishment of a 37-bed LTACH at its current location in 19,877 square ft. of leased space. The applicant states the present building was constructed in 1953 and renovated in 1967 as a hospital. Currently, the property is owned by Seton Corporation and is leased to Select Medical Property Venture, LLC through a 50 year ground lease. Select Medical Property Ventures, LLC purchased the building in 2007 and subleases the building through a 10 year Sub-lease to Select Specialty Hospital, Nashville, Inc.

Long-term acute care hospitals (LTACHs) provide extended medical and rehabilitative care to individuals with clinically complex problems, such as multiple acute or chronic conditions, that require hospital-level care for relatively extended periods. A facility must meet Medicare's conditions of participation for acute care hospitals and have an average inpatient length of stay greater than 25 days to qualify as an LTACH for Medicare payment. CMS established regulations to prevent general acute care hospitals from operating LTACHS, but a separate "hospital within a hospital" can qualify.

While the applicant operates in a freestanding building, the proximity of the applicant to Baptist Hospital (across the street) results in it being considered co-located with Baptist Hospital under the Medicare definition of "campus".

Therefore the CMS 50% rule applies to patients referred to the applicant from Baptist Hospital. This rule states no more than 50% of LTACH patients can be referred from the host hospital, and if 50% is exceeded, the reimbursement for the patients over that percentage would be reduced.

Note to Agency Members: CMS (Centers for Medicare and Medicaid Services) established a three year moratorium that began on December 29, 2007 on the designation of new LTACH's or LTACH satellites or an increase of beds in an existing LTACH. On July 23, 2010 the moratorium was extended with an expiration date of December 29, 2012. Legislation will need to be introduced and passed in 2013 to re-establish the moratorium. The applicant indicates there is currently an opportunity to add needed LTACH beds during this period.

The applicant leases the entire five story building in which the existing LTACH is located. If approved, the applicant plans to renovate 9,872 GSF of unused space on the 2nd floor for twenty private LTACH beds (10 beds through CON exemption plus 10 of the thirteen (13) beds requested in this application). The third floor and fourth floor beds will remain unchanged with seventeen (17) and sixteen (16) respectively. The remaining three (3) beds will be added to the fifth floor which has fourteen (14) patient rooms. The chart below reflects the applicants planned bed allocation:

Floor	Existing Beds	Square Feet	Added by 10 bed Exemption	Added by CON	Total
Basement	0	10,630	0	0	0
1st	0	22,601	0	0	0
2nd	0	9,872	10	10	20
3rd	17	11,915	0	0	17
4th	16	9,872	0	0	16
5th	14	9,872	0	3	17
Total	**47**	**74,762**	**10**	**13**	**70**

Source: CN1210-053

The applicant, Select Specialty Hospital-Nashville, Incorporated (47 beds), is owned 100% by Select Medical Corporation located in Mechanicsburg (Cumberland County) Pennsylvania. The applicant's parent company also owns the following specialty hospitals in Tennessee: Select Specialty Hospital-Knoxville (35 beds), Select Specialty Hospital-Memphis (39 beds), Select Specialty

Hospital-North Knoxville (33 beds) and Select Specialty Hospitals-Tricities, Inc. (33 beds).

The applicant states that the proposed service area will consist of Bedford, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hickman, Jackson, Lawrence, Lewis, Lincoln, Macon, Marshall, Maury, Montgomery, Moore, Overton, Putnam, Robertson, Rutherford, Smith, Sumner, Trousdale, Van Buren, Warren, White, Williamson and Wilson counties. Please note the following 2011 patient origin chart submitted in the 1st supplemental response:

Patient Origin	Patient Discharges	% of Discharges
Davidson County	101 patients	21.44%
Rutherford County	35 patients	7.43%
Sumner County	24 patients	5.09%
Wilson County	24 patients	5.09%
Montgomery County	20 patients	4.25%
Robertson County	14 patients	2.97%
Williamson County	14 patients	2.97&
Other TN Counties	207 patients	43.94%
TN Unknown	2 patients	.42%
Other States	30 patients	6.37%
Total	471 patients	

Source: CN1210-053

According to population estimates by the Division of Health Statistics, Tennessee Department of Health (TDOH), the total population of the Tennessee portion of the service area is expected to increase by approximately 2.6% from 2,422,644 residents in CY 2013 to 2,484,904 residents in CY2015. The State of Tennessee population is expected in increase by approximately 1.8% from 6,414,297 in 2013 to 6,530,459 in 2015. The TDOH project report notes TennCare enrollment of 409,213 individuals in the applicant's declared service area representing 16.9% of the total population. The State of Tennessee has a total TennCare enrollment of 1,203,220 individuals representing 18.9% of the population.

The bed need formula from the project specific criteria for long term care hospitals in Tennessee's Health Guidelines for Growth, 2000 Edition, is based upon a ratio of 0.5 beds per 10,000 population (*2 years forward from the current population)* in the service area of the proposal. Using the declared service area population for CY2014 the applicant estimated a need for 123 total LTAC beds.

This amount less the number of existing licensed LTAC beds (*107 total beds),* accounts for the applicant's estimate that there will be a projected need for 16 additional LTAC beds in the proposed service area. The TDOH project summary report notes a total bed need of 124 LTAC beds in CY2015 as based upon the current total population of the Tennessee portion of the service area two years forward (2,484,904 residents in CY2015). The 124 total LTAC bed need amount less the existing 107 licensed LTAC beds results in a 17 long-term bed need in the proposed service area in CY2013.
Note to Agency Members: The applicant projected need two years forward (2014) from the date of the application (2012) resulting in a need of 16 additional beds. The Tennessee Department of Health's report projected need from the year 2013 forward to 2015 which resulted in a need for 17 additional beds.

According to the Projected Data Chart for the proposed thirteen (13) beds, the applicant expects gross operating revenue of $11,158,058.00 on 3,285 patient days in Year One of the project increasing by approximately 11% to $13,976,083.00 ($3,481 per patient day) in Year Two. The proposed LTAC bed addition expects to realize favorable operating margins before capital expenditures at an initial level of approximately 7.37% of total net operating revenue in the first year of operations.

The facility is self-managed by Select Specialty Hospital-Nashville, Inc. The applicant indicates Select Medical Corporation (SMC) incurs corporate headquarter expenses (e.g., legal, accounting, accounts payable, human resources, etc.) on behalf of its operating entities. The applicant states SMC does not "mark up" those cost and calculates the charge based upon actual costs incurred by Select Medical. The fees associated with the charges are normally referred to as management fees in financial information although there is no mark up of SMC's costs.

In the supplemental response, the applicant has provided a Projected Data Chart that reflects the total seventy (70) beds at the completion of the project. Net operating income in Year One is $4,047,779 and $4,337,211 in Year Two of the proposed project.

According to the Historical Data Chart, Select Specialty Hospital-Nashville has been profitable for each of the last three years reporting favorable net operating income (NOI) after capital expenditures of $3,992,903.00 in 2009; $2,705,264.00 in 2010; and $2,584,199.00 in 2011. Average annual NOI was favorable at approximately 9.7% of annual net operating revenue for the year 2011.

The total estimated project cost is $3,485,811.47.00, including: Architectural and Engineering Fees- $337,400; Legal, Administrative and Consultant Fees - $50,000; Construction Costs -$2,249,600; Fixed Equipment - $840,986; and CON filing fees $7,825.47.

Approximately 9,872 square feet of space on the 2nd floor will be renovated. The renovation is termed a major build-out by the applicant due to the installation of a new total hospital upgrade for medical air compression and medical vacuum/section systems. The facility renovation/build-out is estimated at $2,249,500 or approximately $227.88 per square foot. The projected cost per square foot is between the median cost of $177.60/sq. ft. and the 3rd quartile cost of $273.69/sq. ft. for renovation projects between 2009 and 2011.

The applicant has provided a letter dated October 12, 2012 from Brasfield and Gorrie, General Contractors, that indicates the proposed renovation will meet all applicable federal, state, and local requirements including the new 2010 AIA Guidelines for Design and Construction of Health Care Facilities.

Funding support for the project is available by the applicant's owner from cash reserves of the corporation. A letter dated October 12, 2012 from the Vice President and Treasurer attests to the availability of $3,477,986.00 from cash reserves to fund the proposed project.

Select Medical Corporation (Nashville) reported total assets of $29,268,170.00, including $3,439,797.00 in total current assets, for the period ending August 31, 2012. Total current liabilities were $34,443.00. The current ratio is 99.86:1. Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.

Note to Agency Members: The current ratio of 99.86:1 includes a $1,088,274.00 current liability due from a third party payor which inflates the current ratio above typical standards. When the amount of $1,088,274 is excluded from total current liabilities, the current ratio is lowered to 3.06:1.

The applicant also included financial statements for Select Medical Corporation. Review of the balance sheet revealed current assets of $483,410,000.00 and current liabilities of $386,062,000.00 for the 12-month fiscal year (FY) period

ending December 31, 2011. Review of the Consolidated Statements of Operations revealed net total revenue of $2,804,507,000.00 and net income of $112,762,000.00 after depreciation and income tax expense during the period. Basic and diluted income per common share rose from .61 cents in 2009 to .71 cents in 2011.
The applicant has submitted the required corporate documentation, real estate option to lease and requisite demographic information for the applicant's proposed service area. HSDA staff has reviewed these documents. Staff will have a copy of these documents available for member reference at the meeting. Copies are also available for review at the Health Services and Development Agency office.

Should the Agency vote to approve this project, the CON would expire in three years.

CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT

There are no other Letters of Intent, denied or pending applications, or outstanding certificates of need for this applicant.

CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:

There are no other Letters of Intent, pending or denied applications, or outstanding Certificates of Need for other health care organizations in the service area proposing this type of service.

PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS, FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.

PME
1/03/2013

LETTER OF INTENT

2012 OCT 10 AM 11:00

LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the *The Tennessean* (Name of Newspaper) which is a newspaper of general circulation in Davidson County (County), Tennessee, on or before October 10, 2012 (Month / day) (Year) for one day.

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This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Select Specialty Hospital – Nashville, Inc., 2000 Hayes Street, Suite 1502, Nashville, TN 37203 ("Applicant"), managed by itself and owned by Select Medical Corporation, 4714 Gettysburg Road, Mechanicsburg, PA 17055 ("Owner"), intends to file a Certificate of Need application for the addition of thirteen (13) long term acute care beds to its hospital. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately $3,485,811.47, including filing fee.

The anticipated date of filing the application is: October 15, 2012.

The contact person for this project is E. Graham Baker, Jr. (Contact Name) Attorney (Title)

who may be reached at: his office at (Company Name) 2021 Richard Jones Road, Suite 350 (Address)

Nashville (City) TN (State) 37215 (Zip Code) 615/370-3380 (Area Code / Phone Number)

E. Graham Baker, Jr. (Signature) October 10, 2012 (Date) graham@grahambaker.net (E-mail Address)

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The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

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The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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* The project description must address the following factors:

1. General project description, including services to be provided or affected.
2. Location of facility: street address, and city/town.
3. Total number of beds affected, licensure proposed for such beds, and intended uses.

4. Major medical equipment involved.
5. Health services initiated or discontinued.
6. Estimated project costs.
7. For home health agencies, list all counties in proposed/licensed service area.

COPY

Select Specialty Hospital-Nashville

CN1210-053

CERTIFICATE OF NEED APPLICATION

For

ADDITION OF THIRTEEN (13) LONG TERM ACUTE CARE BEDS

by

Select Specialty Hospital - Nashville, Inc.
2000 Hayes Street, Suite 1502
Nashville, TN 37203

STATE OF TENNESSEE
HEALTH SERVICES AND DEVELOPMENT AGENCY
500 Deaderick Street
Suite 850
Nashville, Tennessee 37243
615/741-2364

FILING DATE: October 15, 2012

SECTION A: APPLICANT PROFILE

1. Name of Facility, Agency, or Institution

Select Specialty Hospital – Nashville, Inc.
Name

2012 OCT 15 PM 2:55

2000 Hayes Street, Suite 1502 — Davidson
Street or Route — County

Nashville — TN — 37203
City — State — Zip Code

2. Contact Person Available for Responses to Questions

E. Graham Baker, Jr. — Attorney at Law
Name — Title

2021 Richard Jones Road, Suite 350 — Nashville — TN — 37215-2874
Street or Route — City — State — Zip Code

Attorney — 615/383-3332 — 615/383-3480
Association with Owner — Phone Number — Fax Number

3. Owner of the Facility, Agency, or Institution

Select Medical Corporation — 717/972-1100
Name — Phone Number

4714 Gettysburg Road — Cumberland
Street or Route — County

Mechanicsburg — PA — 17055
City — State — Zip Code

4. Type of Ownership of Control (Check One)

A.	Sole Proprietorship	____	F.	Governmental (State of Tenn. or Political Subdivision)	____
B.	Partnership	____			
C.	Limited Partnership	____	G.	Joint Venture	____
D.	Corporation (For-Profit)	X	H.	Limited Liability Company	____
E.	Corporation (Not-For-Profit)	____	I.	Other (Specify) ____	____

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS. See *Attachment A.4.*

SECTION A:

APPLICANT PROFILE

Please enter all Section A responses on this form. All questions must be answered. If an item does not apply, please indicate "N/A". ***Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment.***

Section A, Item 1: Facility Name must be applicant facility's name and address must be the site of the proposed project.

Response: Select Specialty Hospital – Nashville, Inc. ("Applicant"), 2000 Hayes Street, Suite 1502, Nashville (Davidson County), Tennessee 37203, owned by Select Medical Corporation, 4714 Gettysburg Road, Mechanicsburg (Cumberland County), Pennsylvania 17055, files this application for a Certificate of Need for addition of thirteen (13) long term acute care beds to its hospital.

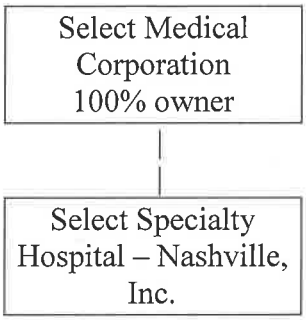
Section A, Item 3: Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence, if applicable, from the Tennessee Secretary of State.

Response: The requested documents for the Applicant are included in the application as *Attachment A.4.*

Section A, Item 4: Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.

Response: Select Specialty Hospital – Nashville, Inc. ("Applicant"), 2000 Hayes Street, Suite 1502, Nashville (Davidson County), Tennessee 37203, is owned by Select Medical Corporation, 4714 Gettysburg Road, Mechanicsburg (Cumberland County), Pennsylvania 17055.

See the following organizational chart:



Section A, Item 5: For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract

Please describe the management entity's experience in providing management services for the type of the facility, which is the same or similar to the applicant facility. Please describe the ownership structure of the management entity.

Response: The facility will be self-managed by Select Specialty Hospital – Nashville, Inc. Select Medical Corporation (SMC) incurs corporate headquarters expenses (e.g., legal, accounting, accounts payable, human resources, etc.) on behalf of its operating entities, including hospitals, outpatient clinics and contract therapy services. The Company allocates the expenses from headquarters functions to the operating entities each year by a charge based on each entity's contribution to consolidated net revenue. The charge is calculated based upon actual costs incurred by Select Medical which are directly allocable to the operating divisions. There is no mark-up of SMC's costs. While there is no actual management contract, these fees are normally referred to as "management" fees on our financials.

Section A, Item 6: For applicants or applicant's parent company/owner that currently own the building/land for the project location, attach a copy of the tide/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements must include anticipated purchase price. Lease/Option to Lease Agreements must include the actual/anticipated term of the agreement and actual/anticipated lease expense. The legal interests described herein must be valid on the date of the Agency's consideration of the certificate of need application.

Response: Seton Corporation owns the property itself and leases it (through a 50 year Ground Lease) to Select Medical Property Ventures, LLC. Select Medical Property Ventures, LLC. also owns the building on this leased property, and sub-leases the building (through a 10 year Sub-Lease) to Select Specialty Hospital – Nashville, Inc. Further, the property assessment by Davidson County shows that Select Medical Property Ventures, LLC owns the hospital, which sits on an approximate 1.76 acre site. All of these documents are included as *Attachment A.6*.

This property was first utilized as a hospital beginning March 22, 1919, when Protestant Hospital opened with 100 beds. Protestant Hospital later added 110 beds, and operated on this site until 1948. Since that time, the Daughters of Charity operated a hospital on this site (as St. Thomas Hospital), and the Tennessee Baptist Convention operated Baptist Hospital on this site after St. Thomas moved to its present location on West End.

The present building was constructed around 1953 and renovated as a hospital in 1967. In 2001, Select Specialty Hospital – Nashville, Inc. began providing care to its LTACH patients after relocating to the 4th and 5th floors of this building. In 2007, Select Medical Property Ventures, LLC purchased the building.

5. **Name of Management/Operating Entity (If Applicable)**

Not applicable
Name

2012 OCT 15 PM

Street or Route County

City State Zip Code

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.

6. **Legal Interest in the Site of the Institution (Check One)**

A.	Ownership		D	Option to Lease	
B.	Option to Purchase		E	Other (Specify)	
C.	Lease of 10 Years	X			

PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS. See *Attachment A.6.*

7. **Type of Institution (Check as appropriate--more than one response may apply.)**

A.	Hospital	X	I.	Nursing Home	
B.	Ambulatory Surgical Treatment Center (Multi-Specialty)		J.	Outpatient Diagnostic Center	
C.	ASTC		K.	Recuperation Center	
D.	Home Health Agency		L.	Rehabilitation Facility	
E.	Hospice		M.	Residential Hospice	
F.	Mental Health Hospital		N.	Non-Residential Methadone Facility	
G.	Mental Health Residential Treatment Facility		O.	Birthing Center	
H.	Mental Retardation Institutional Habilitation Facility (ICF/MR)		P.	Other Outpatient Facility (Specify)	
			Q.	Other (Specify)	

8. **Purpose of Review (Check as appropriate--more than one response may apply.**

A.	New Institution		H.	Change In Bed Complement (Please note the type of change by underlining the appropriate response: Increase, Decrease Designation, Distribution, Conversion, Relocation)	X
B.	Replacement/Existing Facility				
C.	Modification/Existing Facility	X			
D.	Initiation of Health Care Service as defined in TCA § 68-11-1607(4)		I.	Change of Location	
E.	Specify		J.	Other (Specify)	
F.	Discontinuance of OB Services				
G.	Acquisition of Equipment				

9. **Bed Complement Data**

Please indicate current and proposed distribution and certification of facility beds.

Response: Addition of 13 beds through CON (another 10 beds being added through the exemption):

		Licensed	CON*	Staffed Beds	Beds Proposed	TOTAL Beds at Completion
A.	Medical					
B.	Surgical					
C.	Long-Term Care Hospital	47	10**	47	13	70
D.	Obstetrical					
E.	ICU/CCU					
F.	Neonatal					
G.	Pediatric					
H.	Adult Psychiatric					
I.	Geriatric Psychiatric					
J.	Child/Adolescent Psychiatric					
K.	Rehabilitation					
L.	Nursing Facility (non-Medicaid Certified)					
M.	Nursing Facility Level 1 (Medicaid only)					
N.	Nursing Facility Level 2 (Medicare only)					
O.	Nursing Facility Level 2 (dually-certified)					
P.	ICF/MR					
Q.	Adult Chemical Dependency					
R.	Child & Adolescent Chemical Dependency					
S.	Swing Beds					
T.	Mental Health Residential Treatment					
U.	Residential Hospice					
	TOTAL	47	10**	47	13	70

*CON Beds approved but not yet in service

** This application is for the addition of 13 LTACH beds. At the time of writing this application the Applicant is licensed for 47 beds, and another 10 beds are in process of being added through the exemption for hospitals with less than 100 beds. It was felt that the entries in the chart above,coupled with this explanation, was the best manner in which to summarize the bed additions.

10. **Medicare Provider Number** 44-2011
Certification Type Hospital

11. **Medicaid Provider Number** 0442011
Certification Type Hospital

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**

Response: N/A.

13. ***Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.*** **Will this project involve the treatment of TennCare participants? YES. If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted *or plans to contract. Discuss any out-of-network relationships in place with MCOs/BHOs in the area.***

Response: The Applicant has TennCare contracts with BCBS BlueCare and TennCare Select. We do not have a contract with AmeriGroup, but work with them closely through single case agreements. UHC Community Plan does not refer to us.

NOTE: ***Section B is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. Section C addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.***

SECTION B: PROJECT DESCRIPTION

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility and staffing.

Response: Select Specialty Hospital – Nashville, Inc., 2000 Hayes Street, Suite 1502, Nashville, TN 37203 ("Applicant"), managed by itself and owned by Select Medical Corporation, 4714 Gettysburg Road, Mechanicsburg, PA 17055 ("Owner"), files this Certificate of Need application for the addition of thirteen (13) long term acute care beds to its hospital. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately $3,485,811.47, including filing fee.

The Applicant has operated at a high occupancy rate for several years. From 2008 through 2011, the Applicant has operated at 93.4%, 94.7%, 93.3% and 92.6%. The LTACH bed need formula shows that there is a current (2012) need for 120 beds, and 123 beds in 2014 (See *Attachment C.Need.3.a*), and only 107 LTACH beds are currently licensed.

At present, the Applicant is licensed for 47 beds, is adding another 10 beds under the exemption, and this application is for 13 beds. Assuming approval, these additions would bring the Applicant's total to 70 beds. All beds are and will continue to be private rooms.

Kindred Hospital is the only other LTACH in the service area. It is licensed for 60 beds, and for the same four year period has operated at 48.0%, 43.6%, 38.7%, and 38.8%.

The Applicant already leases the entire building in which the hospital is located, so no additional lease costs are involved in this project. However, not all of the patient floors are currently being utilized, and renovation to the building is required for the provision of LTACH services. The second floor of the facility is not being utilized at present and 20 private rooms (10 beds through the CON exemption plus 10 of the 13 beds requested in this application) will be added through renovation of this floor. The renovated space on the second floor totals about 9,872 GSF. The third floor already has 17 private rooms, and will remain unchanged. The fourth floor already has 16 private rooms, and no beds will be

added to this floor. The fifth floor has 14 patient rooms, and three rooms will be added if this application is approved. This is summarized in the chart below:

Select Specialty Hospital – Nashville, Inc.
Bed Allocation by Floor

Floor	Existing	Added by 10 bed Exemption	Added by CON	Total
1st	0	0	0	0
2nd	0	10	10	20
3rd	17	0	0	17
4th	16	0	0	16
5th	14	0	3	17
Total	47	10	13	70

Renovation costs total $2,249,600, and fixed equipment is anticipated to not exceed $840,986. A & E costs total $337,400, and Legal, Administrative and Consultant costs are set at $50,000. Therefore, the total cost of this project is $3,477,986, or about $151,217 per bed (the renovation is also required for the 10 bed addition, so 23 beds was utilized as a denominator). Even though only the 2nd floor is being renovated for patient use, extensive buildout is required for the mechanical systems in order to properly service the entire building.

The Applicant has sufficient cash reserves and such reserves are committed to the funding of this project.

The project will contribute to the orderly development of health care, in that the Applicant is operating near capacity and needs additional beds. Only 107 LTACH beds currently exist a service area that has a 123 bed need by 2014, so the area is under bedded. Unfortunately, Kindred Hospital does not operate at capacity, but its location appears to be a hindrance to its utilization. Kindred is located about 15 minutes from downtown Nashville, and each time a patient needs an ancillary service, the patient has to be transported to a hospital downtown. This normally involves arranging for an ambulance for transport, waiting for the patient, and transporting back. Further, most physicians seem to prefer having their LTACH patients closer to downtown Nashville.

Therefore, approval of this project will have no negative impact on Kindred Hospital, the only other LTACH in Middle Tennessee.

Finally, the moratorium that was imposed by CMS in 2008 has obviously hampered the expansion of needed LTACH services in the nation, and this moratorium expires at the end of calendar year 2012. The Applicant is availing itself of this opportunity to add needed beds as this restriction is being lifted.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of $5 million) and other facility projects (construction cost in excess of $2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

Response: Select Specialty Hospital – Nashville, Inc., 2000 Hayes Street, Suite 1502, Nashville, TN 37203 ("Applicant"), managed by itself and owned by Select Medical Corporation, 4714 Gettysburg Road, Mechanicsburg, PA 17055 ("Owner"), files this Certificate of Need application for the addition of thirteen (13) long term acute care beds to its hospital. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately $3,485,811.47, including filing fee.

The Applicant has operated at a high occupancy rate for several years. From 2008 through 2011, the Applicant has operated at 93.4%, 94.7%, 93.3% and 92.6%. The LTACH bed need formula shows that there is a current (2012) need for 120 beds, and 123 beds in 2014 (See *Attachment C.Need.3.a*), and only 107 LTACH beds are currently licensed.

At present, the Applicant is licensed for 47 beds, is adding another 10 beds under the exemption, and this application is for 13 beds. Assuming approval, these additions would bring the Applicant's total to 70 beds. All beds are and will continue to be private rooms.

Kindred Hospital is the only other LTACH in the service area. It is licensed for 60 beds, and for the same four year period has operated at 48.0%, 43.6%, 38.7%, and 38.8%.

Oddly, the two existing LTACHs in Nashville apparently reflect national data for the two respective owners. Kindred has been reported to be the largest LTACH provider in the nation, so far as total beds are concerned, but Select is reported to have the greater average daily census (ADC). In 2011, Kindred, with 60 beds at an average occupancy rate of 38.8%, had an average ADC of 23.8 patients, while the Applicant, with 47 beds operating at 92.6%, had an average ADC of 43.5 patients.

As stated earlier, Kindred Hospital does not operate at capacity, unfortunately, but its location appears to be a hindrance to its utilization. Kindred is located about 15 minutes from downtown Nashville, and each time a patient needs an ancillary service, the patient has to be transported to a hospital downtown. This normally involves arranging for an ambulance for transport, waiting for the patient, and transporting the patient back to the facility. Anecdotal information indicates that physicians prefer having a faster turnaround time for such ancillary services for their patients, and, as a result, prefer having their LTACH patients closer to downtown Nashville.

The Applicant is located across the street from Baptist Hospital, and its site is bordered by 20th and 21st Avenues, and by Church and Hayes Streets. As such, it is centrally located in Nashville, and ancillary services required by its patients are available across the street from our hospital. We believe that our physical location is advantageous for patient placement.

The Applicant has an average length of stay (ALOS) of 33 days. CMS regulations state that, in order to be qualified as an LTACH, the ALOS must be at least 25 days. We also have a higher acuity rate for our admissions than our sister hospitals owned by Select Medical Corporation, meaning that our patients, for the most part, have greater need for long term acute care than other LTACHs. We believe that part of this is due to the fact that we operate at or near capacity, patients have to wait to be admitted to our hospital, and their medical condition worsens. The addition of these beds will alleviate this problem, and allow us to admit patients to our hospital when their respective medical condition warrants admission to an LTACH.

The Applicant already leases the entire building in which the hospital is located, so no additional lease costs are involved in this project. However, not all of the patient floors are not being utilized. The second floor of the facility is not being utilized at present and 20 private rooms (10 beds through the CON exemption plus 10 of the 13 beds requested in this application) will be added through renovation of this floor. The renovated space on the second floor totals about 9,872 GSF. The third floor already has 17 private rooms, and will remain unchanged. The fourth floor already has 16 private rooms, and no beds will be added to this floor. The fifth floor has 14 patient rooms, and three rooms will be added if this application is approved. This is summarized in the chart below:

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Renovation costs total $2,249,600, and fixed equipment is anticipated to not exceed $840,986. A & E costs total $337,400, and Legal, Administrative and Consultant costs are set at $50,000. Therefore, the total cost of this project is $3,477,986, or about $151,217 per bed (the renovation is also required for the

10 bed addition, so 23 beds was utilized as a denominator). Even though only the 2nd floor is being renovated for patient use, extensive buildout is required for the mechanical systems in order to properly service the entire building.

Obviously, more rooms are being renovated than being requested in this application. Please note that half of the beds planned for the 2nd floor will be licensed as a result of the CON exemption provided for small hospitals. The other 10 beds are part of this CON application, along with the 3 additional rooms on the 5th floor.

In addition, the "renovation" requested for the 2nd floor is, in fact, a major buildout, including the installation of a new total hospital upgrade for medical air compression and medical vacuum/suction systems. These old systems are being replaced with new systems that will readily provide those respective services for the foreseeable future. The present systems are adequate for the patient rooms currently licensed. One alternative was to include a smaller, separate system for just the 2nd floor. Such a system would have been less expensive than replacing the total unit, but it was felt better medical practice to upgrade the old systems with new systems for the entire hospital.

Further, this buildout requires demolition of many walls in patient rooms and elsewhere on the 2nd floor, so total costs for both the renovation and buildout are included in this application.

The Applicant has sufficient cash reserves and such reserves are committed to the funding of this project.

The project will contribute to the orderly development of health care, in that the Applicant is operating near capacity and needs additional beds. Only 107 LTACH beds currently exist a service area that has a 123 bed need by 2014, so the area is under bedded. Therefore, approval of this project will have no negative impact on Kindred Hospital, the only other LTACH in Middle Tennessee.

In addition, the moratorium that was imposed by CMS in 2008 has obviously hampered the expansion of needed LTACH services in the nation, and this moratorium expires at the end of calendar year 2012. The Applicant is availing itself of this opportunity to add needed beds as this restriction is being lifted.

The Applicant is certified for both Medicare and Medicaid, has contracts with BCBS Blue Care and TennCare Select, and is JCAHO accredited (latest survey was September, 2011).

Long term acute care hospitals (LTACHs) care for catastrophically ill patients who have been stabilized in more critical-care settings but are too ill for discharge to an acute rehabilitation, skilled nursing, or home care setting. These medically fragile or unstable patients typically require extended acute care for periods of weeks. Their average length of stay ("ALOS") is 25 days or greater, and meeting their needs can strain hospitals' resources and budgets, but often there is no alternative facility that can provide the care these patients require.

Their conditions include chronic respiratory disorders and other pulmonary conditions; cardiac, neurological, and renal conditions; infections and severe wounds. Many are medically complex, with a combination of issues that often require cardiac monitoring, long term antibiotic and nutritional therapies, pain control, and continued life support. LTACH programs of care are designed for patients with serious conditions such as multiple nervous system disorders, cardiovascular disorders, extended antibiotic therapy, patients with tracheotomies, ventilators, dialysis, TPN, burn care, oncological conditions, and numerous other post-surgical and complex medical conditions. These patients require more nursing hours per patient day (5-8 hours) than non-acute facilities can provide; and they cannot withstand the

rehabilitation regimens of a hospital rehabilitation unit. LTACHs are specifically designed to meet the needs of such long-stay, critically ill patients.

Normally, LTACHs are operated in one of two settings – (a) physically and operationally freestanding buildings; and (b) operationally freestanding facilities located in space leased from a "host" hospital. Both models are freestanding from a legal perspective; and both models avoid incurring major diagnostic and physical plant overhead costs. This lowers their operating cost base well below the cost base of short term acute care hospitals, and most "related-party" long-term hospital units. By this means, LTACHs achieve significant savings which are passed on to consumers.

Regulations established by the Centers for Medicare and Medicaid Services ("CMS") prevent general acute care hospitals from operating LTACHs (LTACHs have to be separately-owned), but a separate "hospital-within-a-hospital" can quality. The Applicant was first licensed as a hospital within a hospital (leasing space at Centennial Medical Center), and later moved to Baptist Hospital. Eventually, an affiliate of the Applicant purchased the building in which the Applicant is located, and the Applicant now has a physically and operationally freestanding building.

A hospital-within-a-hospital:

1. leases existing space within the "host" hospital and purchases ancillary services from the host;

2. is fully responsible for patient care – admissions, treatment, discharge, billing and collection – and assumes all of the associated operational and financial risks;

3. is organizationally and functionally separate from the host hospital, with a separate license, Medicare provider number, governing body, medical staff, chief medical officer, and chief executive officer; and

4. has a strong clinical and operational fit with the host hospital and creates a seamless relationship for patients and physicians.

A freestanding LTACH may or may not be physically located close to a tertiary hospital, but it is generally agreed that patient care is improved when the LTACH is close to referring facilities. Some support ancillary services may well be contracted by the LTACH to be provided by close referring facilities. Some support services, such as housekeeping, may be obtained on contract from close referring hospitals, or from outside vendors, in order to hold down capital and operating costs. In keeping with State Health Plan review criteria, costly duplication of existing hospital services are avoided to the maximum extent consistent with licensure requirements.

This LTACH is and will continue to be operated exclusively for the care of a long term acute care population with an average length of stay in excess of 25 days. Our patients are transferred from area hospitals where their prolonged care would have been much more expensive for payors, due to the higher overhead costs of short-term acute care hospitals.

We are Medicare certified and JCAHO accredited.

We will continue to serve commercial payors of all types. Our LTACH is certified for both Medicare and Medicaid. Historically, charitable care ranges between 3 to 5% of total patient days at our hospitals.

Advantages Provided by This LTACH Project.

LTACHs provide patients in Middle Tennessee, and their families, physicians, and payors, with several significant advantages:

1. LTACHs Reduce The Expense of Long Term Acute Care for All Payors.

In all hospitals, a very small percentage of patients cannot complete their post-diagnostic acute care requirements without continuous high-intensity medical and nursing care of prolonged duration – extending many weeks. These extended care patients are a very small segment of total hospital caseloads; but they require very costly therapeutic services during their prolonged hospital stays.

Prolonged care occurs in a wide variety of medical and surgical cases. Some common examples include patients with tracheotomies, ventilators, dialysis, IV antibiotics, TPN, dopamine for renal perfusion, intensive wound care, and State III-IV decubitus. Many long term acute patients come directly from ICU's. Such patients are not appropriate for placement in their hospitals' skilled nursing or rehabilitation units, because of their high medical acuity, their fragility or instability, and the levels of staffing required to care for them.

For these reasons, the patients must stay in an acute care environment for many weeks. That tends to be very expensive. Because of the high overhead associated with plant and equipment to handle every acute care need, general hospitals have a relatively high average cost per patient day. When this is applied to patient stays of many weeks' duration (six weeks is a common average), the resulting total hospital charges to payors are very high.

The long term hospital offers these patients and their payors a less costly alternative: an extended stay in an acute care environment which does not carry expensive diagnostic and support space overhead, but instead carries only acute care level professional staffing. This provides major savings.

LTACHs are able to provide such extended acute care at much lower costs per day because they are not as intensively capitalized as a general hospital. Every LTACH has heavy acute-care levels of staffing. But the LTACH does not have to maintain the varieties of in-house ancillary equipment and support spaces which general hospitals have to provide to patients during the initial, diagnostic-intensive short-term hospital stay. As we are located across the street from Baptist Hospital, our patients have ready access to any needed level of diagnostic service.

Another LTACH saving is seen in Medicare cost-based reimbursement claims. Being legally separate from a general hospital, an LTACH can claim only its own costs and part of those of its corporate office. By contrast, a long term acute care hospital that is "related" to a general hospital (i.e., owned by the same parent company) can allocate many of its "related" hospital's indirect costs to its own long term operation. Our LTACH's cost-based Medicare reimbursement claims typically are much lower than claims filed by long term acute care hospitals of a holding company which also owns a general hospital.

Therefore, it benefits payors for Middle Tennessee area long-term acute care patients to be transferred to our LTACH for their post-DRG care. Transfer to our LTACH lowers acute care costs per patient day.

2. LTACHs Maximize Medicare Reimbursement for Tennessee and Reduce Cost-shifting.

The project increases the amount of appropriate reimbursement which Tennessee hospitals will receive for extended-stay Medicare patients.

As there is a current need for more LTACH beds, some patients are now located in traditional acute care beds. Major un-reimbursed costs on extended care hospital patients must be shifted to other payors. Yet CMS is willing to compensate the State's healthcare system for its care of these types of Medicare patients in an appropriate facility such as an LTACH.

During development of the DRG-based Prospective Payment reimbursement system (PPS), CMS recognized that DRG's could not be utilized for some types of hospital settings whose patients have very long stays and unpredictable costs – such as long term acute care hospitals, rehabilitation units, and hospital-based skilled nursing units. Each addresses a small patient population, whose care requirements and total costs of care could not be predicted and standardized and hence could not be assigned a DRG reimbursement payment.

Therefore, CMS retained cost-based reimbursement programs for each of these three types of extended acute care. This decision was validated in a 1992 PROPAC (HCFA Advisory Committee) Report on Payment Reform, which concluded that "At the present time, developing a prospective payment system using a case-mix adjustment for long-term hospitals is not feasible." (Chapter 4)

By operating our qualifying, Medicare-certifiable long-term acute care hospital, we enable local hospitals to transfer extended-care Medicare patients to a setting which can claim the Medicare support which is available for their post-DRG care. This reduces inappropriate cost-shifting to other payors.

3. Select Specialty Hospital – Nashville is an Accessible Provider for a Wide Range of Payors.

Our facility offers our primary service area significant access advantages. It is accessible and affordable to the widest range of payors.

Typically, a good mixture of patients is about half Medicare and half private pay, and our goal is to attain that mixture of patients. This is demonstrated by Select's historic payor source: 57.21% of our patients are Medicare, and we anticipate no change in our payor sources. Other payor sources include Medicaid at 7.12%, HMO patients total 13.74%, Commercial Insurance accounts for 19.89% of our patients, with the remaining 2.04% being worker's comp patients.

4. As an Existing LTACH, Payor Contracts are Already in Place.

Contracts with payors are already in place with our LTACH. This application is merely to add needed beds to our facility so we can continue to provide care to more patients in a timely and seamless fashion.

5. We will Continue to Serve Patients who are Currently Underserved.

As stated, there currently exist 107 LTACH beds in Middle Tennessee, but the 2014 need is for 123 beds. The addition of these 13 beds will allow the Applicant to provide long term acute care services to patients who need those services. We have operated at near capacity for several years, and need these additional beds for the patients.

6. Project Costs for this Addition are Comparable to other Hospital Projects.

Our facility currently exists, and an affiliate company owns the building in which our hospital is located. We are not adding space through construction, but are only renovating existing patient rooms and conducting a build-out of mechanical systems for the building. These costs are much less than would be if a new facility were being constructed. As a result, new hospital beds can come on line very quickly and serve patients who need the care in a very cost-efficient manner.

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

Response: This application, filed by Select Specialty Hospital – Nashville, Inc., is for addition of 13 beds, 10 of which will be located on the 2nd floor of our existing LTACH and 3 beds to be located on the 5th floor. The Applicant is adding 10 beds under the CON exemption for small hospitals, plus 13 beds with this application. This will bring our facility to capacity and will provide more LTACH services for patients in need of such services.

As stated earlier, Kindred Hospital does not operate at capacity, unfortunately, but its location appears to be a hindrance to its utilization. Kindred is located about 15 minutes from downtown Nashville, and each time a patient needs an ancillary service, the patient has to be transported to a hospital downtown. This normally involves arranging for an ambulance for transport, waiting for the patient, and transporting the patient back to the facility. Anecdotal information indicates that physicians prefer having a faster turnaround time for such ancillary services for their patients, and, as a result, prefer having their LTACH patients closer to downtown Nashville.

The Applicant is located across the street from Baptist Hospital, and its site is bordered by 20th and 21st Avenues, and by Church and Hayes Streets. As such, it is centrally located in Nashville, and ancillary services required by its patients are available across the street from our hospital. We believe that our physical location is advantageous for patient placement.

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging (MRI)
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20 Rehabilitation Services
21. Swing Beds

Response: The Applicant believes this question is not applicable. However, in case "12. Long-term Care Services" (normally defined as nursing home care) includes LTACH services, answers to prior questions are replicated below.

Select Specialty Hospital – Nashville, Inc., 2000 Hayes Street, Suite 1502, Nashville, TN 37203 ("Applicant"), managed by itself and owned by Select Medical Corporation, 4714 Gettysburg Road, Mechanicsburg, PA 17055 ("Owner"), files this Certificate of Need application for the addition of thirteen (13) long term acute care beds to its hospital. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately $3,485,811.47, including filing fee.

The Applicant has operated at a high occupancy rate for several years. From 2008 through 2011, the Applicant has operated at 93.4%, 94.7%, 93.3% and 92.6%. The LTACH bed need formula shows that there is a current (2012) need for 120 beds, and 123 beds in 2014 (See *Attachment C.Need.3.a*), and only 107 LTACH beds are currently licensed.

At present, the Applicant is licensed for 47 beds, is adding another 10 beds under the exemption, and this application is for 13 beds. Assuming approval, these additions would bring the Applicant's total to 70 beds. All beds are and will continue to be private rooms.

Kindred Hospital is the only other LTACH in the service area. It is licensed for 60 beds, and for the same four year period has operated at 48.0%, 43.6%, 38.7%, and 38.8%.

Oddly, the two existing LTACHs in Nashville apparently reflect national data for the two respective owners. Kindred has been reported to be the largest LTACH provider in the nation, so far as total beds are concerned, but Select is reported to have the greater average daily census (ADC). In 2011, Kindred, with 60 beds at an average occupancy rate of 38.8%, had an average ADC of 23.8 patients, while the Applicant, with 47 beds operating at 92.6%, had an average ADC of 43.5 patients.

As stated earlier, Kindred Hospital does not operate at capacity, unfortunately, but its location appears to be a hindrance to its utilization. Kindred is located about 15 minutes from downtown Nashville, and each time a patient needs an ancillary service, the patient has to be transported to a hospital downtown. This normally involves arranging for an ambulance for transport, waiting for the patient, and transporting the patient back to the facility. Anecdotal information indicates that physicians prefer having a faster turnaround time for such ancillary services for their patients, and, as a result, prefer having their LTACH patients closer to downtown Nashville.

The Applicant is located across the street from Baptist Hospital, and its site is bordered by 20th and 21st Avenues, and by Church and Hayes Streets. As such, it is centrally located in Nashville, and ancillary services required by its patients are available across the street from our hospital. We believe that our physical location is advantageous for patient placement.

The Applicant has an average length of stay (ALOS) of 33 days. CMS regulations state that, in order to be qualified as an LTACH, the ALOS must be at least 25 days. We also have a higher acuity rate for our admissions than our sister hospitals owned by Select Medical Corporation, meaning that our patients, for the most part, have greater need for long term acute care than other LTACHs. We believe that part of this is due to the fact that we operate at or near capacity, patients have to wait to be admitted to our hospital, and their medical condition worsens. The addition of these beds will alleviate this problem, and allow us to admit patients to our hospital when their respective medical condition warrants admission to an LTACH.

The Applicant already leases the entire building in which the hospital is located, so no additional lease costs are involved in this project. However, not all of the patient floors are not being utilized. The second floor of the facility is not being utilized at present and 20 private rooms (10 beds through the CON exemption plus 10 of the 13 beds requested in this application) will be added through renovation of this floor. The renovated space on the second floor totals about 9,872 GSF. The third floor already has 17 private rooms, and will remain unchanged. The fourth floor already has 16 private rooms, and no beds will be added to this floor. The fifth floor has 14 patient rooms, and three rooms will be added if this application is approved. This is summarized in the chart below:

Select Specialty Hospital – Nashville, Inc.
Bed Allocation by Floor

Floor	Existing	Added by 10 bed Exemption	Added by CON	Total
1st	0	0	0	0
2nd	0	10	10	20
3rd	17	0	0	17
4th	16	0	0	16
5th	14	0	3	17
Total	47	10	13	70

Renovation costs total $2,249,600, and fixed equipment is anticipated to not exceed $840,986. A & E costs total $337,400, and Legal, Administrative and Consultant costs are set at $50,000. Therefore, the total cost of this project is $3,477,986, or about $151,217 per bed (the renovation is also required for the 10 bed addition, so 23 beds was utilized as a denominator). Even though only the 2nd floor is being renovated for patient use, extensive buildout is required for the mechanical systems in order to properly service the entire building.

Obviously, more rooms are being renovated than being requested in this application. Please note that half of the beds planned for the 2nd floor will be licensed as a result of the CON exemption provided for small hospitals. The other 10 beds are part of this CON application, along with the 3 additional rooms on the 5th floor.

In addition, the "renovation" requested for the 2nd floor is, in fact, a major buildout, including the installation of a new total hospital upgrade for medical air compression and medical vacuum/suction systems. These old systems are being replaced with new systems that will readily provide those respective services for the foreseeable future. The present systems are adequate for the patient rooms currently licensed. One alternative was to include a smaller, separate system for just the 2nd floor. Such a system would have been less expensive than replacing the total unit, but it was felt better medical practice to upgrade the old systems with new systems for the entire hospital.

Further, this buildout requires demolition of many walls in patient rooms and elsewhere on the 2nd floor, so total costs for both the renovation and buildout are included in this application.

The Applicant has sufficient cash reserves and such reserves are committed to the funding of this project.

The project will contribute to the orderly development of health care, in that the Applicant is operating near capacity and needs additional beds. Only 107 LTACH beds currently exist a service area that has a 123 bed need by 2014, so the area is under bedded. Therefore, approval of this project will have no negative impact on Kindred Hospital, the only other LTACH in Middle Tennessee.

In addition, the moratorium that was imposed by CMS in 2008 has obviously hampered the expansion of needed LTACH services in the nation, and this moratorium expires at the end of calendar year 2012. The Applicant is availing itself of this opportunity to add needed beds as this restriction is being lifted.

The Applicant is certified for both Medicare and Medicaid, has contracts with BCBS Blue Care and TennCare Select, and is JCAHO accredited (latest survey was September, 2011).

Long term acute care hospitals (LTACHs) care for catastrophically ill patients who have been stabilized in more critical-care settings but are too ill for discharge to an acute rehabilitation, skilled nursing, or home care setting. These medically fragile or unstable patients typically require extended acute care for periods of weeks. Their average length of stay ("ALOS") is 25 days or greater, and meeting their needs can strain hospitals' resources and budgets, but often there is no alternative facility that can provide the care these patients require.

Their conditions include chronic respiratory disorders and other pulmonary conditions; cardiac, neurological, and renal conditions; infections and severe wounds. Many are medically complex, with a combination of issues that often require cardiac monitoring, long term antibiotic and nutritional therapies, pain control, and continued life support. LTACH programs of care are designed for patients with serious conditions such as multiple nervous system disorders, cardiovascular disorders, extended antibiotic therapy, patients with tracheotomies, ventilators, dialysis, TPN, burn care, oncological conditions, and numerous other post-surgical and complex medical conditions. These patients require more nursing hours per patient day (5-8 hours) than non-acute facilities can provide; and they cannot withstand the rehabilitation regimens of a hospital rehabilitation unit. LTACHs are specifically designed to meet the needs of such long-stay, critically ill patients.

Normally, LTACHs are operated in one of two settings – (a) physically and operationally freestanding buildings; and (b) operationally freestanding facilities located in space leased from a "host" hospital. Both models are freestanding from a legal perspective; and both models avoid incurring major diagnostic and physical plant overhead costs. This lowers their operating cost base well below the cost base of short term acute care hospitals, and most "related-party" long-term hospital units. By this means, LTACHs achieve significant savings which are passed on to consumers.

Regulations established by the Centers for Medicare and Medicaid Services ("CMS") prevent general acute care hospitals from operating LTACHs (LTACHs have to be separately-owned), but a separate "hospital-within-a-hospital" can quality. The Applicant was first licensed as a hospital within a hospital (leasing space at Centennial Medical Center), and later moved to Baptist Hospital. Eventually, an affiliate of the Applicant purchased the building in which the Applicant is located, and the Applicant now has a physically and operationally freestanding building.

A hospital-within-a-hospital:

1. leases existing space within the "host" hospital and purchases ancillary services from the host;

2. is fully responsible for patient care – admissions, treatment, discharge, billing and collection – and assumes all of the associated operational and financial risks;

3. is organizationally and functionally separate from the host hospital, with a separate license, Medicare provider number, governing body, medical staff, chief medical officer, and chief executive officer; and

4. has a strong clinical and operational fit with the host hospital and creates a seamless relationship for patients and physicians.

A freestanding LTACH may or may not be physically located close to a tertiary hospital, but it is generally agreed that patient care is improved when the LTACH is close to referring facilities. Some support ancillary services may well be contracted by the LTACH to be provided by close referring facilities. Some support services, such as housekeeping, may be obtained on contract from close referring hospitals, or from outside vendors, in order to hold down capital and operating costs. In keeping with State Health Plan review criteria, costly duplication of existing hospital services are avoided to the maximum extent consistent with licensure requirements.

This LTACH is and will continue to be operated exclusively for the care of a long term acute care population with an average length of stay in excess of 25 days. Our patients are transferred from area hospitals where their prolonged care would have been much more expensive for payors, due to the higher overhead costs of short-term acute care hospitals.

We are Medicare certified and JCAHO accredited.

We will continue to serve commercial payors of all types. Our LTACH is certified for both Medicare and Medicaid. Historically, charitable care ranges between 3 to 5% of total patient days at our hospitals.

Advantages Provided by This LTACH Project.

LTACHs provide patients in Middle Tennessee, and their families, physicians, and payors, with several significant advantages:

1. LTACHs Reduce The Expense of Long Term Acute Care for All Payors.

In all hospitals, a very small percentage of patients cannot complete their post-diagnostic acute care requirements without continuous high-intensity medical and nursing care of prolonged duration – extending many weeks. These extended care patients are a very small segment of total hospital caseloads; but they require very costly therapeutic services during their prolonged hospital stays.

Prolonged care occurs in a wide variety of medical and surgical cases. Some common examples include patients with tracheotomies, ventilators, dialysis, IV antibiotics, TPN, dopamine for renal perfusion, intensive wound care, and State III-IV decubitus. Many long term acute patients come directly from ICU's. Such patients are not appropriate for placement in their hospitals' skilled nursing or rehabilitation units, because of their high medical acuity, their fragility or instability, and the levels of staffing required to care for them.

For these reasons, the patients must stay in an acute care environment for many weeks. That tends to be very expensive. Because of the high overhead associated with plant and equipment to handle every acute care need, general hospitals have a relatively high average cost per patient day. When this is applied to patient stays of many weeks' duration (six weeks is a common average), the resulting total hospital charges to payors are very high.

The long term hospital offers these patients and their payors a less costly alternative: an extended stay in an acute care environment which does not carry expensive diagnostic and support space overhead, but instead carries only acute care level professional staffing. This provides major savings.

LTACHs are able to provide such extended acute care at much lower costs per day because they are not as intensively capitalized as a general hospital. Every LTACH has heavy acute-care levels of staffing. But the LTACH does not have to maintain the varieties of in-house ancillary equipment and support spaces which general hospitals have to provide to patients during the initial, diagnostic-intensive short-term hospital stay. As we are located across the street from Baptist Hospital, our patients have ready access to any needed level of diagnostic service.

Another LTACH saving is seen in Medicare cost-based reimbursement claims. Being legally separate from a general hospital, an LTACH can claim only its own costs and part of those of its corporate office. By contrast, a long term acute care hospital that is "related" to a general hospital (i.e., owned by the same parent company) can allocate many of its "related" hospital's indirect costs to its own long term operation. Our LTACH's cost-based Medicare reimbursement claims typically are much lower than claims filed by long term acute care hospitals of a holding company which also owns a general hospital.

Therefore, it benefits payors for Middle Tennessee area long-term acute care patients to be transferred to our LTACH for their post-DRG care. Transfer to our LTACH lowers acute care costs per patient day.

2. LTACHs Maximize Medicare Reimbursement for Tennessee and Reduce Cost-shifting.

The project increases the amount of appropriate reimbursement which Tennessee hospitals will receive for extended-stay Medicare patients.

As there is a current need for more LTACH beds, some patients are now located in traditional acute care beds. Major un-reimbursed costs on extended care hospital patients must be shifted to other payors. Yet CMS is willing to compensate the State's healthcare system for its care of these types of Medicare patients in an appropriate facility such as an LTACH.

During development of the DRG-based Prospective Payment reimbursement system (PPS), CMS recognized that DRG's could not be utilized for some types of hospital settings whose patients have very long stays and unpredictable costs – such as long term acute care hospitals, rehabilitation units, and hospital-based skilled nursing units. Each addresses a small patient population, whose care requirements and total costs of care could not be predicted and standardized and hence could not be assigned a DRG reimbursement payment.

Therefore, CMS retained cost-based reimbursement programs for each of these three types of extended acute care. This decision was validated in a 1992 PROPAC (HCFA Advisory Committee) Report on Payment Reform, which concluded that "At the present time, developing a prospective payment system using a case-mix adjustment for long-term hospitals is not feasible." (Chapter 4)

By operating our qualifying, Medicare-certifiable long-term acute care hospital, we enable local hospitals to transfer extended-care Medicare patients to a setting which can claim the Medicare support which is available for their post-DRG care. This reduces inappropriate cost-shifting to other payors.

3. Select Specialty Hospital – Nashville is an Accessible Provider for a Wide Range of Payors.

Our facility offers our primary service area significant access advantages. It is accessible and affordable to the widest range of payors.

Typically, a good mixture of patients is about half Medicare and half private pay, and our goal is to attain that mixture of patients. This is demonstrated by Select's historic payor source: 57.21% of our patients are Medicare, and we anticipate no change in our payor sources. Other payor sources include Medicaid at 7.12%, HMO patients total 13.74%, Commercial Insurance accounts for 19.89% of our patients, with the remaining 2.04% being worker's comp patients.

4. As an Existing LTACH, Payor Contracts are Already in Place.

Contracts with payors are already in place with our LTACH. This application is merely to add needed beds to our facility so we can continue to provide care to more patients in a timely and seamless fashion.

5. We will Continue to Serve Patients who are Currently Underserved.

As stated, there currently exist 107 LTACH beds in Middle Tennessee, but the 2014 need is for 123 beds. The addition of these 13 beds will allow the Applicant to provide long term acute care services to patients who need those services. We have operated at near capacity for several years, and need these additional beds for the patients.

6. Project Costs for this Addition are Comparable to other Hospital Projects.

Our facility currently exists, and an affiliate company owns the building in which our hospital is located. We are not adding space through construction, but are only renovating existing patient rooms and conducting a build-out of mechanical systems for the building. These costs are much less than would be if a new facility were being constructed. As a result, new hospital beds can come on line very quickly and serve patients who need the care in a very cost-efficient manner.

D. Describe the need to change location or replace an existing facility.

Response: N/A.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of $1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):

a. Describe the new equipment, including:

1. Total cost; (As defined by Agency Rule).
2. Expected useful life;
3. List of clinical applications to be provided; and
4. Documentation of FDA approval.

b. Provide current and proposed schedules of operations.

Response: N/A.

2. For mobile major medical equipment:
a. List all sites that will be served;
b. Provide current and/or proposed schedule of operations;
c. Provide the lease or contract cost.
d. Provide the fair market value of the equipment; and
e. List the owner for the equipment.

Response: N/A.

3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.

Response: N/A.

III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:

1. **Size of site (*in acres*)**
2. **Location of structure on the site; and**
3. **Location of the proposed construction.**
4. **Names of streets, roads or highway that cross or border the site.**

Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.

Response:

1. Approximately 1.71 acres. See *Attachment B.III.*
2. See *Attachment B.III.*
3. There is no construction – only renovation and mechanical buildout, all inside the building.
4. The site is bounded by 20th and 21st Avenue, and by Church and Hayes Streets.

(B) Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

Response: The Applicant is located in the traditional heart of the medical community in Nashville, and is readily accessible to patients and their families. Public transportation is available.

IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

NOTE: *DO NOT SUBMIT BLUEPRINTS*. Simple line drawings should be submitted and need not be drawn to scale.

Response: Please see *Attachment B.IV* for floor plans for all floors of the Applicant's hospital. Patient floors are noted, as are the location of existing beds, the location those beds being added by the CON exemption for small hospitals, and the location of beds being added with this application.

The gross square footage of usable space on each floor of the hospital is as follows:

10,630	Basement
22,601	1st Floor
9,872	2nd Floor
11,915	3rd Floor
9,872	4th Floor
9,872	5th Floor
74,762	Total

Patient bed locations in the hospital are summarized below:

Select Specialty Hospital – Nashville, Inc.
Bed Allocation by Floor

Floor	Existing	Added by 10 bed Exemption	Added by CON	Total
1st	0	0	0	0
2nd	0	10	10	20
3rd	17	0	0	17
4th	16	0	0	16
5th	14	0	3	17
Total	47	10	13	70

V. For a Home Health Agency or Hospice, identify:

1. **Existing service area by County;**
2. **Proposed service area by County;**
3. **A parent or primary service provider;**
4. **Existing branches; and**
5. **Proposed branches.**

Response: N/A.

SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan (Guidelines for Growth), developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. *Please type each question and its response on an 8 1/2" x 11" white paper*. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

QUESTIONS

NEED

1. **Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth.**

   a. **Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9) here.**

Response: Please see *Attachment Specific Criteria.*

1. **The purpose of the State Health Plan is to improve the health of Tennesseans;**

The Applicant has been serving patients since 2001, and continues to this day. Services are provided to a select group of patients who have special needs. The approval of this project will help continue those needed services.

2. **Every citizen should have reasonable access to health care;**

The Applicant accepts all patients who present for care, irrespective of their ability to pay.

3. **The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies, and the continued development of the state's health care system;**

The development of services by the Applicant has always been the result of attempts to meet the needs of Tennesseans. This project will result in improvement of both services (by adding needed beds) and the

physical plant in which to provide those services. Therefore, the approval of this application will enhance the "development" of hospital services in the proposed service area.

4. **Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers; and**

Tennessee is fortunate to have an excellent licensing division of the Department of Health. The Board of Licensing Health Care Facilities provides standards for and monitoring of licensed health care providers. This Applicant is fully licensed by the Department of Health and is certified by Medicare, Medicaid (TennCare), and the Joint Commission on Accreditation of Healthcare Organizations (JCAHO, most recent survey 06/08/2011).

5. **The state should support the development, recruitment, and retention of a sufficient and quality health care workforce.**

The Applicant is committed to providing safe working conditions for its staff and continuing education to its staff. Further, the Applicant participates in training various health care specialties and various educational institutions, as follows:

Andrews University – PT, OT & ST Student Affiliation
Belmont Univ. School of Pharmacy – Pharmacy Student Affiliation
Tennessee State University – RT & OT Student Affiliation
Aquinas College – Nursing
Milligan College – OT
Vanderbilt University – OT.

b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c).

Response: N/A.

2. **Describe the relationship of this project to the applicant facility's long-range development plans, if any.**

Response: There is no long range development plan at this facility. Sufficient space exists for the provision of LTACH services for the foreseeable future.

3. **Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

Response: The applicant's primary service area will consist of Bedford, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hickman, Jackson, Lawrence, Lewis, Lincoln, Macon, Marshall, Maury, Montgomery, Moore, Overton, Putnam, Robertson, Rutherford, Smith, Sumner, Trousdale, Van Buren, Warren, White, Williamson, and Wilson. These counties provide in excess of 80% of our patients each year.

Please see *Attachment C.Need.3* for a map of the service area, and *Attachment C.Need.3.a* for a list of those counties with respective population figures for both 2012 and 2014. This attachment also shows the LTACH bed need, by county and in total, for our primary service area.

4. A. Describe the demographics of the population to be served by this proposal.

Response: See *Attachment C.Need.3.a* for a list of those counties with respective population figures and LTACH bed need for both 2012 and 2014. See *Attachment C.Need.4.A* for Quickfacts from the US Census Bureau for Davidson, Rutherford, and Montgomery Counties, which represent the three counties with the largest referral totals for our hospital.

Utilizing the selected counties as a representative sample, please note the following demographics:

Selected Demographic Characteristics
Counties with Highest Referrals to Applicant and Tennessee

Demographic /Geographic Area	Davidson County	Rutherford County	Montgomery County	State of TN
Total Population - 2011	602,257	268,921	176,619	6,403,353
Total Population – 2010	626,681	262,604	172,336	6,346,110
Total Population-% change	1.4%	2.4%	2.5%	0.9%
% Age 65+ Population – 2011	10.5%	8.5%	8.0%	13.7%
% Female	51.6%	50.6%	50.9%	51.3%
% Male	48.4%	49.4%	49.1%	48.5%
% White	66.2%	81.2%	73.2%	79.5%
% Black	27.9%	12.9%	19.6%	16.9%
TennCare Enrollees (2011)	118,395	36,484	23,620	1,209,372
" /% of Tot Pop (2011)	19.6%	13.6%	13.4%	18.9%
Median Household Income (2006 - 2010)	$45,668	$53,770	$48,930	$43,314
Persons Below Poverty Level (2006 - 2010)	17.3%	12.7%	14.6%	16.5%

Source: 2011 QuickFacts, US Census Bureau; TennCare Enrollees from State of Tennessee website.

B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

Response: The service area population is in need of 123 LTACH beds, but only 107 are available. This results in a special need of the population. There are also medically underserved areas within our service area. Rather than printing (and copying) 34 separate county listings of those areas, *Attachment C.Need.4.B* is a list of all medically underserved areas in the State.

The Applicant does not and will not discriminate in any way, whether regarding admissions or in hiring practices, at the hospital.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

Response: *Attachment C.Need.5* reflects the number of beds, patient days, and occupancy rates for the last four years for the two LTACHs in Middle Tennessee. The Applicant is licensed for and staffs 47 beds, and has operated at 93.4%, 94.7%, 93.3% and 92.6% from 2008 through 2011, respectively. Kindred Hospital is licensed for 60 LTACH beds, and has operated at 48.0%, 43.6%, 38.7% and 38.8% for the same four years.

It is obvious that the Applicant is operating at or near capacity, while Kindred Hospital has a much lower occupancy rate, at least for the past four years.

As stated earlier, Kindred Hospital does not operate at capacity, unfortunately, but its location appears to be a hindrance to its utilization. Kindred is located about 15 minutes from downtown Nashville, and each time a patient needs an ancillary service, the patient has to be transported to a hospital downtown. This normally involves arranging for an ambulance for transport, waiting for the patient, and transporting the patient back to the facility. Anecdotal information indicates that physicians prefer having a faster turnaround time for such ancillary services for their patients, and, as a result, prefer having their LTACH patients closer to downtown Nashville.

The Applicant is located across the street from Baptist Hospital, and its site is bordered by 20th and 21st Avenues, and by Church and Hayes Streets. As such, it is centrally located in Nashville, and ancillary services required by its patients are available across the street from our hospital. We believe that our physical location is advantageous for patient placement.

Therefore, approval of this project will have no negative impact on Kindred Hospital, the only other LTACH in Middle Tennessee.

Finally, the moratorium that was imposed by CMS in 2008 has obviously hampered the expansion of needed LTACH services in the nation, and this moratorium expires at the end of calendar year 2012. The Applicant is availing itself of this opportunity to add needed beds as this restriction is being lifted.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization for each of the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology must include detailed calculations or documentation from referral sources, and identification of all assumptions.

Response: As stated, the Applicant has operated at 93.4%, 94.7%, 93.3% and 92.6% from 2008 through 2011, respectively. It is conservatively projected that we will operate our 13 new beds at 69.23% and 84.62% in Years 1 and 2, respectively, following approval of this application.

Our current ALOS is 33 days. Approximately 60% of our patients are ventilator patients, and almost 60% of our patients are Medicare patients. We estimated our projected utilization based on the time it took us to fill the 10 beds we added the last time we took advantage of the CON exemption rule for small hospitals. Within one month of licensing the additional 10 beds, we were operating at 95% capacity again. As there is an existing need for LTACH beds in Middle Tennessee, we fully anticipate the additional 10 beds now being requested to fill up within the first quarter of operations after licensure.

We anticipate that the 13 beds being requested in this application will fill up by the end of the second quarter following licensure, based on the rate we have filled up in the past. For all 70 beds, we feel our occupancy rate will be at 85% by the end of the second quarter, and in excess of 90% by the end of the first year of operation. This progression is completely consistent with prior occupancy at our hospital. The final annual occupancy rates for these 13 beds are projected to be at 69.23% and 84.62% for Years 1 and 2.

ECONOMIC FEASIBILITY

1. **Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.**

-- **All projects should have a project cost of at least $3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)**

-- **The cost of any lease should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater.**

-- **The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.**

-- **For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.**

Response: The Project Costs Chart is completed.

Renovation costs total $2,249,600, and fixed equipment is anticipated to not exceed $840,986. A & E costs total $337,400, and Legal, Administrative and Consultant costs are set at $50,000. Therefore, the total cost of this project is $3,477,986, or about $151,217 per bed (the renovation is also required for the 10 bed addition, so 23 beds was utilized as a denominator). Even though only the 2nd floor is being renovated for patient use, extensive buildout is required for the mechanical systems in order to properly service the entire building.

Obviously, more rooms are being renovated than being requested in this application. Please note that half of the beds planned for the 2nd floor will be licensed as a result of the CON exemption provided for small hospitals. The other 10 beds are part of this CON application, along with the 3 additional rooms on the 5th floor.

In addition, the "renovation" requested for the 2nd floor is, in fact, a major buildout, including the installation of a new total hospital upgrade for medical air compression and medical vacuum/suction systems. These old systems are being replaced with new systems that will readily provide those respective services for the foreseeable future. The present systems are adequate for the patient rooms currently licensed. One alternative was to include a smaller, separate system for just the 2nd floor. Such a system would have been less expensive than replacing the total unit, but it was felt better medical practice to upgrade the old systems with new systems for the entire hospital.

Further, this buildout requires demolition of many walls in patient rooms and elsewhere on the 2nd floor, so total costs for both the renovation and buildout are included in this application.

The following chart, prepared by the HSDA, indicates construction costs for recent hospital applications. A review of these average costs indicate this particular project is financially feasible:

Hospital Construction Cost Per Square Foot

Years: 2009 – 2011

	Renovated Construction	New Construction	Total Construction
1st Quartile	$125.84/sq ft	$235.86/sq ft	$167.99/sq ft
Median	$177.60/sq ft	$274.63/sq ft	$249.32/sq ft
3rd Quartile	$273.69/sq ft	$324.00/sq ft	$301.74/sq ft

Source: CON approved applications for years 2009 through 2011, HSDA.

The gross square footage of usable space on each floor of the hospital is as follows:

10,630	Basement
22,601	1st Floor
9,872	2nd Floor
11,915	3rd Floor
9,872	4th Floor
9,872	5th Floor
74,762	Total

As some of the costs of this project involve the total hospital (medical gases, etc.), the total hospital cost per square foot for this buildout is approximately $30.10 ($2,249,600 construction costs divided by 74,762 GSF). Obviously, a lot of the costs involve patient rooms, so if only the patient floors are used as a denominator, the cost per square foot is approximately $54.17 ($2,249,600 divided by patient floor GSF of 41,531). Finally, most of the renovation/buildout costs for patient rooms will occur on the second floor only, so utilizing just that floor, the approximate cost per square foot would be $227.88 ($2,249,500 construction costs divided by 9,872 GSF).

By any of the above measures, this project is economically feasible and compares favorably to the HSDA chart noted above.

PROJECT COSTS CHART

A.	Construction and equipment acquired by purchase.	
1.	Architectural and Engineering Fees	$ 337,400
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant	50,000
3.	Acquisition of Site	
4.	Preparation of Site	
5.	Construction Costs	2,249,600
6.	Contingency Fund	
7.	Fixed Equipment (Not included in Construction Contract)(Generator, Nurse Call)	840,986
8.	Moveable Equipment (List all equipment over $50,000)*	
9.	Other (Specify)	
	Subsection A Total	**3,477,986**
B.	Acquisition by gift, donation, or lease.	
1.	Facility (Inclusive of Building and Land) (FMV of Property)	
2.	Building Only	
3.	Land Only	
4.	Equipment (Specify)	
5.	Other (Specify)	
	Subsection B Total	**0**
C.	Financing costs and fees	
1.	Interim Financing	
2.	Underwriting Costs	
3.	Reserve for One Year's Debt Service	
4.	Other (Specify)	
	Subsection C Total	**0**
D.	Estimated Project Cost (A + B + C)	$ 3,477,986.00
E.	CON Filing Fee	$ 7,825.47
F.	Total Estimated Project Cost (D + E) TOTAL	$ 3,485,811.47

2. **Identify the funding sources for this project.**

   a. **Please check the applicable item(s) below and briefly summarize how the project will be financed.** ***(Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.)***

___ **A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**

___ **B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;**

___ **C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.**

___ **D. Grants--Notification of intent form for grant application or notice of grant award; or**

X **E. Cash Reserves--Appropriate documentation from Chief Financial Officer.**

___ **F. Other—Identify and document funding from all other sources.**

Response: See *Attachment C.EF.2*, which is a letter from the Vice President & Treasurer of Select Medical Corporation, the parent company, indicating that sufficient cash reserves are both available and designated for this project.

3. **Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.**

Response: The following chart, prepared by the HSDA, indicates construction costs for recent hospital applications. A review of these average costs indicate this particular project is financially feasible:

Hospital Construction Cost Per Square Foot

Years: 2009 – 2011

	Renovated Construction	New Construction	Total Construction
1st Quartile	$125.84/sq ft	$235.86/sq ft	$167.99/sq ft
Median	$177.60/sq ft	$274.63/sq ft	$249.32/sq ft
3rd Quartile	$273.69/sq ft	$324.00/sq ft	$301.74/sq ft

Source: CON approved applications for years 2009 through 2011, HSDA.

The gross square footage of usable space on each floor of the hospital is as follows:

10,630	Basement
22,601	1st Floor
9,872	2nd Floor
11,915	3rd Floor
9,872	4th Floor
9,872	5th Floor
74,762	Total

As some of the costs of this project involve the total hospital (medical gases, etc.), the total hospital cost per square foot for this buildout is approximately $30.10 ($2,249,600 construction costs divided by 74,762 GSF). Obviously, a lot of the costs involve patient rooms, so if only the patient floors are used as a denominator, the cost per square foot is approximately $54.17 ($2,249,600 divided by patient floor GSF of 41,531). Finally, most of the renovation/buildout costs for patient rooms will occur on the second floor only, so utilizing just that floor, the approximate cost per square foot would be $227.88 ($2,249,500 construction costs divided by 9,872 GSF).

By any of the above measures, this project is economically feasible and compares favorably to the HSDA chart noted above.

4. **Complete Historical and Projected Data Charts on the following two pages--Do not modify the Charts provided or submit Chart substitutions! Historical Data Chart represents revenue and expense information for the last three (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the Proposal Only (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).**

Response: Historical and Projected Data Charts are completed.

Historical Data Chart: These figures are based on our existing 47 bed hospital. Note that Charity Care is not listed as a separate line item. Select Medical Corporation (and the hospitals it owns) uses the term "FLO" days to denote unfunded patient days that DRG reimbursed patients frequently incur. Each patient is assigned a DRG code at admission. Each DRG has specific statistics associate with the code, including geometric length of stay (GLOS) and full DRG payment. Full DRG payment is not earned until a patient has stayed to 5/6 of their GLOS. Prior to that point in their stay, the maximum reimbursement for a patient is the hospital costs for that patient. Once the patient has reached 5/6 of their GLOS, full DRG payment is earned, and the patient enters the fixed loss period. The current fixed loss is $15,408. This is the estimated cost based on the cost-to-charge ratio from the last filed cost report for the hospital. During the fixed loss period, no additional reimbursement is made. Only after the patient has exceeded the fixed loss is there any additional reimbursement. This reimbursement is only 80% of the hospital's costs. The figures in the chart below represent the days over the 5/6 GLOS date. The contractual amounts equal gross charges for those days, less any reimbursement for patients that went beyond the fixed loss threshold. As Charity Care is normally defined as the amount of care that a facility knows, up front, that it will not be reimbursed, Select Medical Corporation considers these amounts to be equivalent to Charity Care.

Select Specialty Hospital – Nashville, Inc.
Uncompensated FLO Days

Year	FLO Days	Uncompensated Care	As a Percentage of Gross Revenue
2009	2,726	$4,383,042	8.2%
2010	2,642	$4,238,665	8.2%
2011	3,066	$4,726,608	8.3%
Total	8,434	$13,348,315	

The above amounts are included in Contractual Adjustments. Total Uncompensated Care for FLO days are listed above, along with the respective annual percentage of gross revenue.

Projected Data Chart: Two Projected Data Charts are completed: one for the 13 bed addition as requested in the CON application instructions, and one for the 57 beds that are anticipated following the licensure of the 10 additional beds through CON exemption for small hospitals.

Uncompensated FLO Days projections are included in Contractual Adjustments.

SUPPLEMENTAL- # 1
October 25, 2012
12:13pm

HISTORICAL DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in January (month).

Response:

		2011	2010	2009
A.	Utilization/Occupancy Rate	94.7%	93.3%	92.6%
B.	Revenue from Services to Patients			
	1. Inpatient Services	**56,498,639**	**51,543,552**	**53,369,667**
	2. Outpatient Services			
	3. Emergency Services			
	4. Other Operating Revenue (Specify) Rental & Interest Income	142,009	143,350	215,289
	Gross Operating Revenue	**56,640,648**	**51,686,902**	**53,584,956**
C.	Deductions from Operating Revenue			
	1. Contractual Adjustments	29,733,210	24,911,915	26,095,823
	2. Provision for Charity Care			
	3. Provision for Bad Debt	271,846	462,017	149,848
	Total Deductions	**30,005,056**	**25,373,932**	**26,245,671**
	NET OPERATING REVENUE	**26,635,592**	**26,312,970**	**27,339,285**
D.	Operating Expenses			
	1. Salaries and Wages	11,864,722	11,697,419	11,583,318
	2. Physician's Salaries and Wages			
	3. Supplies	1,922,662	1,796,548	1,855,521
	4 . Taxes	2,235,571	2,073,968	1,293,632
	5 . Depreciation	652,580	557,029	578,929
	6. Rent	1,045,000	1,045,000	1,045,000
	7. Interest, other than Capital			2,862
	8. Management Fees:			
	a. Fees to Affiliates	1,600,404	1,580,556	2,010,473
	b. Fees to Non-Affiliates			
	9. Other Expenses (Specify) See Attached Chart	4,730,454	4,857,186	4,976,647
	Total Operating Expenses	**24,051,393**	**23,607,706**	**23,346,382**
E.	Other Revenue (Expenses)-Net (Specify)_____			
	NET OPERATING INCOME (LOSS)	**2,584,199**	**2,705,264**	**3,992,903**
F.	Capital Expenditures			
	1. Retirement of Principal			
	2. Interest			
	Total Capital Expenditure			
	NET OPERATING INCOME (LOSS) LESSCAPITAL EXPENDITURES	**2,584,199**	**2,705,264**	**3,992,903**

PROJECTED DATA CHART – 13 beds

Give information for the two (2) years following the completion of this project. The fiscal year begins in January (month).

		Yr-1	Yr-2
A.	Utilization/Occupancy	69.23%	84.62%
	Revenue from Services to Patients		
	1. Inpatient Services	**11,158,058**	**13,976,083**
	2. Outpatient Services		
	3. Emergency Services		
	4. Other Operating Revenue (Specify)_____		
	Gross Operating Revenue	**11,158,058**	**13,976,083**
C.	Deductions from Operating Revenue		
	1. Contractual Adjustments	5,658,096	7,250,026
	2. Provision for Charity Care		
	3. Provision for Bad Debt	55,000	67,261
	Total Deductions	**5,713,096**	**7,317,287**
	NET OPERATING REVENUE	**5,444,962**	**6,658,796**
D.	Operating Expenses		
	1. Salaries and Wages	2,504,115	3,090,388
	2. Physician's Salaries and Wages (Contracted)		
	3. Supplies	339,097	436,346
	4 . Taxes	459,237	552,916
	5 . Depreciation	141,071	141,071
	6. Rent		
	7. Interest, other than Capital		
	8. Management Fees:		
	a. Fees to Affiliates	326,698	399,529
	b. Fees to Non - Affiliates		
	9. Other Expenses (Specify) See Attached Chart	925,463	1,136,421
	Total Operating Expenses	**4,695,681**	5,756,670
E.	Other Revenue (Expenses)-Net (Specify)		
	NET OPERATING INCOME (LOSS)	749,281	902,126
F.	Capital Expenditures		
	1. Retirement of Principal		
	2. Interest (on Letter of Credit)		
	Total Capital Expenditure		
	NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	**749,281**	**902,126**

OTHER EXPENSES

Other Expenses	2011 Year 3	2010 Year 2	2009 Year 1	PROJECTED 13 BEDS Year 1	PROJECTED 13 BEDS Year 2	PROJECTED 57 BEDS Year 1	PROJECTED 57 BEDS Year 2
Insurance	160,596	145,394	129,109	32,429	40,114	224,940	309,434
Utilities	698,070	646,627	650,189	132,132	166,567	833,448	8,385
Legal & Accounting	40,898	44,675	40,102	9,367	11,587	64,972	89,378
Repairs & Maintenance	261,068	203,884	272,394	54,956	67,980	381,197	524,386
Travel/Meals & Entertainment	206,068	199,421	192,643	44,580	55,145	309,226	425,380
Contracted Physicians	493,310	506,043	524,967	113,611	140,534	788,051	1,084,067
Ancillary Patient Services	2,225,182	2,597,255	2,632,757	409,684	507,353	2,458,347	2,490,895
Equipment Rentals	316,018	224,481	209,841	58,399	60,175	306,593	322,000
Corporate Services	329,244	289,406	324,645	70,305	86,966	487,670	670,853
Total Other (D.9)	4,730,454	4,857,186	4,976,647	925,463	1,136,421	5,854,444	5,924,778

PROJECTED DATA CHART – 57 beds

Give information for the two (2) years following the completion of this project. The fiscal year begins in January (month).

2012 OCT 15 PM

		Yr-1	Yr-2
A.	Utilization/Occupancy	94.74%	94.74%
	Revenue from Services to Patients		
	1. Inpatient Services	**66,848,345**	**68,609,862**
	2. Outpatient Services		
	3. Emergency Services		
	4. Other Operating Revenue (Specify)_____		
	Gross Operating Revenue	**66,848,345**	**68,609,862**
C.	Deductions from Operating Revenue		
	1. Contractual Adjustments	34,363,327	35,633,064
	2. Provision for Charity Care		
	3. Provision for Bad Debt	324,850	329,768
	Total Deductions	**34,688,177**	**35,962,832**
	NET OPERATING REVENUE	**32,160,168**	**32,647,030**
D.	Operating Expenses		
	1. Salaries and Wages	15,044,251	15,165,024
	2. Physician's Salaries and Wages (Contracted)		
	3. Supplies	2,067,756	2,078,737
	4. Taxes	2,021,660	2,105,374
	5. Depreciation	895,199	909,485
	6. Rent	1,048,750	1,069,725
	7. Interest, other than Capital		
	8. Management Fees:		
	a. Fees to Affiliates	1,929,610	1,958,822
	b. Fees to Non - Affiliates		
	9. Other Expenses (Specify) See Attached Chart	5,854,444	5,924,778
	Total Operating Expenses	**28,861,670**	**29,211,945**
E.	Other Revenue (Expenses)-Net (Specify)		
	NET OPERATING INCOME (LOSS)	**3,298,498**	**3,435,085**
F.	Capital Expenditures		
	1. Retirement of Principal		
	2. Interest (on Letter of Credit)		
	Total Capital Expenditure		
	NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	**3,298,498**	**3,435,085**

Supplemental Projected Data Chart – 70 Bed

SUPPLEMENTAL- # 1

October 25, 2012
12:13pm

PROJECTED DATA CHART – 70 beds

Give information for the two (2) years following the completion of this project. The fiscal year begins in January (month).

2012 OCT 25 PM 12:40

		Yr-1	Yr-2
A.	Utilization/Occupancy	69.23%	84.62%
	Revenue from Services to Patients		
	1. Inpatient Services	**78,006,403**	**82,585,945**
	2. Outpatient Services		
	3. Emergency Services		
	4. Other Operating Revenue (Specify)_____		
	Gross Operating Revenue	**78,006,403**	**82,585,945**
C.	Deductions from Operating Revenue		
	1. Contractual Adjustments	40,021,423	42,883,090
	2. Provision for Charity Care		
	3. Provision for Bad Debt	379,850	397,029
	Total Deductions	**40,401,273**	**43,280,119**
	NET OPERATING REVENUE	**37,605,130**	**39,305,826**
D.	Operating Expenses		
	1. Salaries and Wages	17,548,366	18,255,412
	2. Physician's Salaries and Wages (Contracted)		
	3. Supplies	2,406,853	2,515,083
	4 . Taxes	2,480,897	2,658,290
	5 . Depreciation	1,036,270	1,050,556
	6. Rent	1,048,750	1,069,725
	7. Interest, other than Capital		
	8. Management Fees:		
	a. Fees to Affiliates	2,256,308	2,358,351
	b. Fees to Non - Affiliates		
	9. Other Expenses (Specify) See Attached Chart	6,779,907	7,061,199
	Total Operating Expenses	**33,557,351**	**34,968,615**
E.	Other Revenue (Expenses)-Net (Specify)		
	NET OPERATING INCOME (LOSS)	**4,047,779**	**4,337,211**
F.	Capital Expenditures		
	1. Retirement of Principal		
	2. Interest (on Letter of Credit)		
	Total Capital Expenditure		
	NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	**4,047,779**	**4,337,211**

5. **Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.**

Response: In 2011, our approximate average gross, average deduction, and average net charges were $3,454, $1,829, and $1,625, respectively. Note: these numbers may be "off" a dollar or two due to rounding.

6. A. **Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.**

Response: In 2011, our approximate average gross, average deduction, and average net charges were $3,454, $1,829, and $1,625, respectively. We anticipate comparable figures for this 13 bed addition to be approximately $3,397, $1,739, and $1,658, respectively. Note: these numbers may be "off" a dollar or two due to rounding.

A comparison of 2011 and projected numbers indicates no significant changes in patient charges. These approximations are all within 5% variance with historic figures.

B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

Response: The following information was obtained from the latest (2011) Joint Annual Reports ("JARs") from the existing LTACHs in Davidson County. Average figures were calculated by dividing the number of patient days into the (1) Total Gross Patient Revenues, (2) Total Adjustments to Revenues, and (3) Total Net Patient Revenues for 2011. The resultant information is given in the chart below:

Patient Charge Data, LTACHs
Davidson County, 2011

Facility	Beds	Occ.	Pt days	Avg. Gross	Avg. Deduct	Avg. Net
Kindred Hospital - Nashville	60	38.8%	8,505	$5,159	$3,464	$1,695
Select Specialty Hospital – Nashville	47	92.6%	16,403	$3,454	$1,829	$1,616

Source: Joint Annual Reports for LTACHs, 2011

Notes: Avg. Gross = average gross charge per patient day
Avg. Deduct = average deductions per patient day
Avg. Net = average net charge per patient day
These numbers may be "off" a dollar or two due to rounding.

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

Response: The Projected Data Chart indicates sufficient income to maintain cost-effectiveness, with a positive cash flow in both Years 1 & 2. Obviously, income is dependent upon rendering services to a sufficient number of patients. As the Applicant has been in business for many years, the Applicant feels comfortable with the projections.

Further, since there is a need for more LTACH beds than currently exist, the Applicant feels that the additional beds requested in this application will be utilized in a most cost-effective manner.

8. Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

Response: The Projected Data Chart indicates sufficient income to maintain cost-effectiveness, with a positive cash flow in both Years 1 & 2. Obviously, income is dependent upon rendering services to a sufficient number of patients. As the Applicant has been in business for many years, the Applicant feels comfortable with the projections.

Further, since there is a need for more LTACH beds than currently exist, the Applicant feels that the additional beds requested in this application will be utilized in a most cost-effective manner.

9. **Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

Response: The Applicant participates in Medicare and Medicaid. Our 2011 payor source data indicates that approximately 57.21% of our patients were Medicare, and approximately 7.12% of our patients were Medicaid. We do not anticipate any changes in these percentages in the foreseeable future.

Based on these percentages, we anticipate revenue from Medicare patients will approximate $15,238,223 in Year 1 (Net Revenue of $26,635,592 x 57.21% Medicare). Further, we would anticipate revenue from Medicaid patients will approximate $568,937 (Net Revenue of $26,635,592 x 7.12% x 30% State share).

10. **Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility-10.**

Response: See *Attachment C.EF.10.*

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:

a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

Response: As it relates to the location of the proposed beds (building or leasing space other than the current location of the Applicant), no alternatives were considered. The Applicant has been in this space for many years, the building is owned by an affiliate of the Applicant's owner, and ancillary services are in place.

The only "alternative" to the application, as filed, was the consideration of constructing a separate medical gas system for the 2nd floor only, as the current system is not adequate for the addition of patient rooms on that floor. As explained earlier in the application, it was quickly decided that installing new systems that would service the entire building was the best alternative.

b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

Response: Even though only the 2nd floor is being renovated for patient use, extensive buildout is required for the mechanical systems in order to properly service the entire building.

Obviously, more rooms are being renovated than being requested in this application. Please note that half of the beds planned for the 2nd floor will be licensed as a result of the CON exemption provided for small hospitals. The other 10 beds are part of this CON application, along with the 3 additional rooms on the 5th floor.

In addition, the "renovation" requested for the 2nd floor is, in fact, a major buildout, including the installation of a new total hospital upgrade for medical air compression and medical vacuum/suction systems. These old systems are being replaced with new systems that will readily provide those respective services for the foreseeable future. The present systems are adequate for the patient rooms currently licensed. One alternative was to include a smaller, separate system for just the 2nd floor. Such a system would have been less expensive than replacing the total unit, but it was felt better medical practice to upgrade the old systems with new systems for the entire hospital.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. **List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.**

Response: The Applicant has student affiliation relationships with:

Andrews University – PTs;
Belmont University – Pharmacy;
Tennessee State University – RTs and OTs;
Aquinas College – Nursing;
Milligan College – OTs; and
Vanderbilt University – OTs.

In addition, the Applicant works with and recruits from local universities for staff, including:

Vanderbilt University
Belmont University
Middle Tennessee State University
Tennessee State University
East Tennessee State University.

Finally, the Applicant has transfer agreements and contracts for services with:

Seton Corporation (Baptist Hospital) for purchased services and laboratory services;
Centennial Medical Center for purchased services, ancillaries, surgery and diagnostics; and
Vanderbilt University Medical Center for purchased services, ancillaries, surgery and diagnostics.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

Response: There are only two LTACHs in Middle Tennessee, both located in Nashville. The Applicant is located in downtown Nashville in the core of the historic medical community, between 20th and 21st Avenues, and between Church Street and Hayes Street. The site is the same as the former St. Thomas Hospital, and across the street from Baptist Hospital. Its 47 beds have been operating at or near capacity for years.

Kindred Hospital is licensed for 60 beds, but is not operating at a very high occupancy rate. Unfortunately, Kindred Hospital does not operate at capacity, but its location appears to be a hindrance to its utilization. Kindred is located about 15 minutes from downtown Nashville, and each time a patient needs an ancillary service, the patient has to be transported to a hospital downtown. This normally involves arranging for an ambulance for transport, waiting for the patient, and transporting back. Further, most physicians seem to prefer having their LTACH patients closer to downtown Nashville.

At first glance, it appears that this project might have a negative impact on Kindred Hospital. We believe it will not. Kindred's location will continue to impact its admissions, whether this application is approved or not. It is our belief that physicians prefer having a faster turnaround time for such ancillary services for their patients, and, as a result, prefer having their LTACH patients closer to downtown Nashville.

Further, the LTACH bed need formula shows that there is a current (2012) need for 120 beds, and 123 beds in 2014 (See *Attachment C.Need.3.a*), and only 107 LTACH beds are currently licensed. These beds are needed, irrespective of the admission rate and/or number of patient days provided at Kindred.

Therefore, approval of this project should have no negative impact on Kindred Hospital.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

Response: The Current and Proposed staffing pattern is set forth in summary form below. Salary approximations will not change.

	Current (57)		Proposed (70)
Position	FTE	Salary	FTE
Administrative	3.0	$34-77/h_	6.0
Secretary	2.0	$15-20/hr	2.0
Human Resources	2.0	$16-20/hr	2.0
Case Management	4.5	$28-38/hr	4.5
Central Supply	3.5	$10-28/hr	3.5
Admissions	2.0	$18-19/hr	2.0
Marketing	5.0	$30-45/hr	5.0
Maintenance	5.0	$17-34/hr	5.0
Housekeeping	10.5	$9-16/hr_	11.5
Medical records	2.5	$17-25/hr	2.5
Pharmacist	3.5	$47-71/hr	4.0
Pharmacy Tech	1.5	$15-16/hr	2.0
Nurse Practitioner	3.0	$34-43/hr	4.0
Rehab	13.5	$22-41/hr	15.0
Rehab Aide	2.5	$14-16/hr	3.0
Respiratory	24.0	$18-40/hr	26.0
Unit Clerk	21.0	$11-15/hr	24.0
RNs	68.5	$22-40/hr	79.0
CNAs	46.0	$11-15/hr	52.0

The Applicant has student affiliation relationships with:

Andrews University – PTs;
Belmont University – Pharmacy;
Tennessee State University – RTs and OTs;
Aquinas College – Nursing;
Milligan College – OTs; and
Vanderbilt University – OTs.

In addition, the Applicant works with and recruits from local universities for staff, including:

Vanderbilt University
Belmont University
Middle Tennessee State University
Tennessee State University
East Tennessee State University.

We believe we will have no difficulty in filling these positions.

See Attachment C.OD.3 for comparable wage patterns in Middle Tennessee.

4. **Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.**

Response: The Applicant has student affiliation relationships with:

Andrews University – PTs;
Belmont University – Pharmacy;
Tennessee State University – RTs and OTs;
Aquinas College – Nursing;
Milligan College – OTs; and
Vanderbilt University – OTs.

In addition, the Applicant works with and recruits from local universities for staff, including:

Vanderbilt University
Belmont University
Middle Tennessee State University
Tennessee State University
East Tennessee State University.

We believe we will have no difficulty in filling these positions.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

Response: The Applicant is familiar with all licensing certification requirements for the provision of LTACH services.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (*e.g.*, internships, residencies, etc.).

Response: The Applicant has student affiliation relationships with:

Andrews University – PTs;
Belmont University – Pharmacy;
Tennessee State University – RTs and OTs;
Aquinas College – Nursing;
Milligan College – OTs; and
Vanderbilt University – OTs.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

Response: The Applicant is familiar with all licensing certification requirements for the provision of LTACH services.

(b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

Response:

Licensure:	Tennessee Department of Health
Accreditation:	Medicare, Medicaid, JCAHO

(c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

Response: The Applicant is licensed and in good standing with the TN Department of Health. Please see *Attachment C.OD.7.c.*

(d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

Response: Please see *Attachment C.OD.7.d*, a copy of the latest survey and POC.

8. **Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.**

Response: There have been no final orders or judgments as are contemplated by this question.

9. **Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project**

Response: There have been no final orders or judgments as are contemplated by this question.

10. **If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.**

Response: The Applicant will provide all data contemplated by this question.

PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

Response: If the requested documentation is not attached, it will be submitted once received.

DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. **Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.**
2. **If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph,* please state below any request for an extended schedule and document the "good cause" for such an extension.**

Form HF0004
Revised 05/03/04
Previous Forms are obsolete

PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c): 01/2013.

Assuming the CON approval becomes the final agency action on that date; indicate the number of day **from the above agency decision date** to each phase of the completion forecast.

Phase	**DAYS REQUIRED**	**Anticipated Date (MONTH/YEAR)**
1. Architectural and engineering contract signed	30	02/2013
2. Construction documents approved by the Tennessee Department of Health	30	03/2013
3. Construction contract signed		02/2013
4. Building permit secured		02/2013
5. Site preparation completed		02/2013
6. Building construction commenced **(renovation)**	30	03/2013
7. Construction 40% complete		
8. Construction 80% complete		
9. Construction 100% complete (approved for occupancy (renovation)	60	05/2013
10. *Issuance of license	15	06/2013
11. *Initiation of service		06/2013
12. Final Architectural Certification of Payment		07/2013
13. Final Project Report Form (HF0055)		08/2013

*** For projects that do NOT involve construction or renovation : Please complete items 10 and 11 only.**

Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF DAVIDSON

E. Graham Baker, Jr., being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete to the best of his/her knowledge.

E Graham Baker, Jr.
SIGNATURE/TITLE

Sworn to and subscribed before me this 15th day of October, 2012, a
(month) (year)

Notary Public in and for the County/State of Davidson/Tennessee.

Nadeau
NOTARY PUBLIC

NADEAN E. POTEET NOTARY PUBLIC DAVIDSON COUNTY STATE OF TENNESSEE

My commission expires May 6th, 2013.
(Month/Day) (Year)

LONG TERM CARE HOSPITAL BEDS

A. Need

1. **The need for long term care hospital (LTH) beds shall be determined by applying the guidelines of (0.5) beds per 10,000 population in the service area of the proposal.**

Response: Applying population figures for our primary service area (which amounts to 90% of our patient origin), the LTACH bed need is 120 beds in 2012 and 123 beds in 2014. See *Attachment C.Need.3.a.* There currently exist 107 beds – 47 at the Applicant's hospital and another 60 beds at Kindred Hospital.

Therefore, there is a need for these 13 beds.

2. **If the project is a bed addition, existing long term care hospital beds must have a minimum average occupancy of 85%.**

Response: *Attachment C.Need.5* reflects the number of beds, patient days, and occupancy rates for the last four years for the two LTACHs in Middle Tennessee. The Applicant is licensed for and staffs 47 beds, and has operated at 93.4%, 94.7%, 93.3% and 92.6% from 2008 through 2011, respectively. Kindred Hospital is licensed for 60 LTACH beds, and has operated at 48.0%, 43.6%, 38.7% and 29.7% for the same four years.

It is obvious that the Applicant is operating at or near capacity, while Kindred Hospital has a much lower occupancy rate, at least for the past four years.

As stated earlier, Kindred Hospital does not operate at capacity, unfortunately, but its location appears to be a hindrance to its utilization. Kindred is located about 15 minutes from downtown Nashville, and each time a patient needs an ancillary service, the patient has to be transported to a hospital downtown. This normally involves arranging for an ambulance for transport, waiting for the patient, and transporting the patient back to the facility. Anecdotal information indicates that physicians prefer having a faster turnaround time for such ancillary services for their patients, and, as a result, prefer having their LTACH patients closer to downtown Nashville.

The Applicant is located across the street from Baptist Hospital, and its site is bordered by 20th and 21st Avenues, and by Church and Hayes Streets. As such, it is centrally located in Nashville, and ancillary services required by its patients are available across the street from our hospital. We believe that our physical location is advantageous for patient placement.

Therefore, approval of this project will have no negative impact on Kindred Hospital, the only other LTACH in Middle Tennessee.

3. **The population shall be the current year's population, projected two years forward.**

Response: Applying population figures for our primary service area (which amounts to 90% of our patient origin), the LTACH bed need is 120 beds in 2012 and 123 beds in 2014. See *Attachment C.Need.3.a.*

4. **The primary service area can not be smaller than the applicant's Community Service Area (CSA). If LTH beds are proposed within an existing hospital, CSAs served by the existing facility can be included along with consideration for populations in adjacent states when the applicant provides documentation (such as admission sources from the Joint Annual Report).**

Response: The applicant's primary service area will consist of Bedford, Cannon, Cheatham, Clay, Coffee, Cumberland, Davidson, DeKalb, Dickson, Franklin, Giles, Grundy, Hickman, Jackson, Lawrence, Lewis, Lincoln, Macon, Marshall, Maury, Montgomery, Moore, Overton, Putnam, Robertson, Rutherford, Smith, Sumner, Trousdale, Van Buren, Warren, White, Williamson, and Wilson. These counties provide about 90% of our patients each year.

5. **Long term care hospitals should have a minimum size of 20 beds.**

Response: The Applicant currently has 47 beds and is applying for an additional 13 beds.

B. Economic Feasibility

1. **The payer costs of a long term hospital should demonstrate a substantial saving, or the services should provide additional benefit to the patient over the payer cost or over the provision of short term general acute care alternatives, treating a similar patient mix of acuity.**

Response: In 2011, our approximate average gross, average deduction, and average net charges were $3,454, $1,829, and $1,625, respectively. We anticipate comparable figures for this 13 bed addition to be approximately $3,397, $1,739, and $1,658, respectively. Note: these numbers may be "off" a dollar or two due to rounding.

By comparison, Middle Tennessee Medical Center, the largest hospital in Rutherford County, from which the Applicant receives the most referrals (from outside Nashville), comparable figures for 2011 were $9,313, $6,432, and $2,881 (Source: 2011 JAR).

Therefore, the Applicant has demonstrated a substantial saving over short-term general acute care alternatives.

2. **The payer costs should be such that the facility will be financially accessible to a wide range of payers as well as to adolescent and adult patients of all ages.**

Response: The Applicant has TennCare contracts with BCBS BlueCare and TennCare Select. We do not have a contract with AmeriGroup, but work with them closely through single case agreements. UHC Community Plan does not refer to us.

Our facility offers our primary service area significant access advantages. It is accessible and affordable to the widest range of payors.

Typically, a good mixture of patients is about half Medicare and half private pay, and our goal is to attain that mixture of patients. This is demonstrated by Select's historic payor source: 57.21% of our patients are Medicare, and we anticipate no change in our payor sources. Other payor sources include Medicaid at 7.12%, HMO patients total 13.74%, Commercial Insurance accounts for 19.89% of our patients, with the remaining 2.04% being worker's comp patients.

3. **Provisions will be made so that a minimum of 5% of the patient population using long term acute care beds will be charity or indigent care.**

Response: The Note that Charity Care is not listed as a separate line item. Select Medical Corporation (and the hospitals it owns) uses the term "FLO" days to denote unfunded patient days that DRG reimbursed patients frequently incur. Each patient is assigned a DRG code at admission. Each DRG has specific statistics associate with the code, including geometric length of stay (GLOS) and full DRG payment. Full DRG payment is not earned until a patient has stayed to 5/6 of their GLOS. Prior to that point in their stay, the maximum reimbursement for a patient is the hospital costs for that patient. Once the patient has reached 5/6 of their GLOS, full DRG payment is earned, and the patient enters the fixed loss period. The current fixed loss is $15,408. This is the estimated cost based on the cost-to-charge ratio from the last filed cost report for the hospital. During the fixed loss period, no additional reimbursement is made. Only after the patient has exceeded the fixed loss is there any additional reimbursement. This reimbursement is only 80% of the hospital's costs. The figures in the chart below represent the days over the 5/6 GLOS date. The contractual amounts equal gross charges for those days, less any reimbursement for patients that went beyond the fixed loss threshold. As Charity Care is normally defined as the amount of care that a facility knows, up front, that it will not be reimbursed, Select Medical Corporation considers these amounts to be equivalent to Charity Care.

Select Specialty Hospital – Nashville, Inc.
Uncompensated FLO Days

Year	FLO Days	Uncompensated Care	As a Percentage of Gross Revenue
2009	2,726	$4,383,042	8.2%
2010	2,642	$4,238,665	8.2%
2011	3,066	$4,726,608	8.3%
Total	8,434	$13,348,315	

The above amounts are included in Contractual Adjustments. Total Uncompensated Care for FLO days are listed above, along with the respective annual percentage of gross revenue.

C. Orderly Development

1. **Services offered by the long term care hospital must be appropriate for medically complex patients who require daily physician intervention, 24 hours access per day of professional nursing (requiring approximately 6-8 hours per patient day of nursing and therapeutic services), and on-site support and access to appropriate multi-specialty medical consultants.**

Response: As an existing provider of LTACH services, the Applicant will continue to ensure that each patient presented for health care services will be an appropriate admission for a long term acute care hospital bed, including those patients requiring daily physician intervention, 24 hours access per day of professional nursing (requiring approximately 6-8 hours per patient day of nursing and therapeutic services), and on-site support, and that appropriate multi-specialty medical consultants will be available for each patient.

Patient services should be available as needed for the most appropriate provision of care. These services should include restorative inpatient medical care, hyperalimentation, care of ventilator dependent patients, long term antibiotic therapy, long term pain control, terminal AIDS care, and management of infectious and pulmonary diseases.

Response: As a provider of existing LTACH services, the Applicant will ensure that each patient presented for health care services will be an appropriate admission for a long term acute care hospital bed, including services to include restorative inpatient medical care, hyperalimentation, care of ventilator dependent patients, long term antibiotic therapy, long term pain control, terminal AIDS care, and management of infectious and pulmonary diseases.

Also, to avoid unnecessary duplication, the project should not include services such as obstetrics, advanced emergency care, and other services which are not operationally pertinent to long term care hospitals.

Response: The Applicant does not and will not provide obstetrics, advanced emergency care, or other services which are not operationally pertinent to long term care hospitals.

2. **The applicant should provide assurance that the facility's patient mix will exhibit an annual average aggregate length of stay greater than 25 days as calculated by the Health Care Finance Administration (HCFA) (sic), and will seek licensure only as a hospital.**

Response: As a provider of existing LTACH services, the Applicant will ensure that each patient presented for health care services will be an appropriate admission for a long term acute care hospital bed, one criteria of which is that the ALOS should be greater than 25 days as calculated by the CMS.

3. **The applicant should provide assurance that the projected caseload will require no more than three (3) hours per day of rehabilitation.**

Response: The Applicant will ensure that the projected caseload will require no more than three (3) hours per day of rehabilitation.

4. **Because of the very limited statewide need for long term hospital beds, and their high overall acuity of care, these beds should be allocated only to community service areas and be either inside or in close proximity to tertiary referral hospitals, to enhance physical accessibility to the largest concentration of services, patients, and medical specialists.**

Response: The Applicant will ensure that the beds will be allocated only to community service areas and will be in close proximity to tertiary referral hospitals, which will enhance physical accessibility to the largest concentration of services, patients, and medical specialists. We are located across the street from Baptist Hospital, and within a few miles of St. Thomas Medical Center, Vanderbilt University Medical Center, and Centennial Medical Center.

5. **In order to insure that the beds and the facility will be used for the purpose certified, any certificate of need for a long term care hospital should be conditioned on the institution being certified by the Health Care Financing Administration (sic) as a long term care hospital, and qualifying as PPS-exempt under applicable federal guidelines. If such certification is received (sic) prior to the expiration date of the certificate of need, as provided in Tennessee Code Annotated (TCA), Section 68-11-108(c) (sic), the certificate of need shall expire, and become null and void.**

Response: The Applicant states that the beds will be used for the purpose certified, and agrees to the condition that our facility will continue to be certified by the CMS as a long term care hospital, and qualifying as PPS-exempt under applicable federal guidelines.

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Affidavit of Publications

Newspaper: THE TENNESSEAN

2012 OCT 15 PM 2:56

State Of Tennessee

TEAR SHEET ATTACHED

Account Number: 496359

Advertiser: E GRAHAM BAKER, JR.

RE: NOTIFICATION TO APPLY FOR A CERTIFICATE

I, V Perry **Sales Assistant** for the above mentioned newspaper, hereby certify that the attached advertisement appeared in said newspaper on the following dates:

10/10/2012 V Perry

Subscribed and sworn to me this 10 day of October, 2012

Sela Bates

NOTARY PUBLIC

cord:
Described property located in Sumner County, Tennessee, and being more particularly described in deed of record in Record Book 2974, Page 588; in the Register's Office of Sumner County, Tennessee
Parcel Number: 113K-D-004.00
Current Owner(s) of Property: Heather Dison
Other interested parties: Affordable Housing Resources, Inc., Neighborhood Housing Services of America and Cavalry Portfolio Services, LLC et al, assignee of HSBC Bank Nevada, N.A./Orchard Bank c/o Christopher W. Conner, Garner & Conner, PLLC
The street address of the above described property is believed to be 753 Northview Avenue, Gallatin, Tennessee 37066, but such address is not part of the legal description of the property sold herein and in the event of any discrepancy, the legal description referenced herein shall control.
SALE IS SUBJECT TO TENANT(S) RIGHTS IN POSSESSION.
If applicable, the notice requirements of T.C.A. 35-5-117 have been met.
All right of equity of redemption, statutory and otherwise, and homestead are expressly waived in said Deed of Trust, and the title is believed to be good, but the undersigned will sell and convey only as Substitute

Continued to next column

dress is not part of the legal description of the property sold herein and in the event of any discrepancy, the legal description referenced herein shall control.
SALE IS SUBJECT TO TENANT(S) RIGHTS IN POSSESSION.
If applicable, the notice requirements of T.C.A. 35-5-117 have been met.
SALE IS SUBJECT TO UCC LIEN HELD BY CARMEL FINANCIAL CORPORATION, OF RECORD AT INSTRUMENT NUMBER 200806060058390, IN THE REGISTER'S OFFICE OF DAVIDSON COUNTY, TENNESSEE.
All right of equity of redemption, statutory and otherwise, and homestead are expressly waived in said Deed of Trust, and the title is believed to be good, but the undersigned will sell and convey only as Substitute Trustee.
If the highest bidder cannot pay the bid within twenty-four (24) hours of the sale, the next highest bidder, at their highest bid, will be deemed the successful bidder.
This property is being sold with the express reservation that the sale is subject to confirmation by the lender or trustee. This sale may be rescinded at any time.
Shapiro & Kirsch, LLP Substitute Trustee
www.kirschattorneys.com
Law Office of Shapiro & Kirsch, LLP

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Public Notices | **Public Notices**

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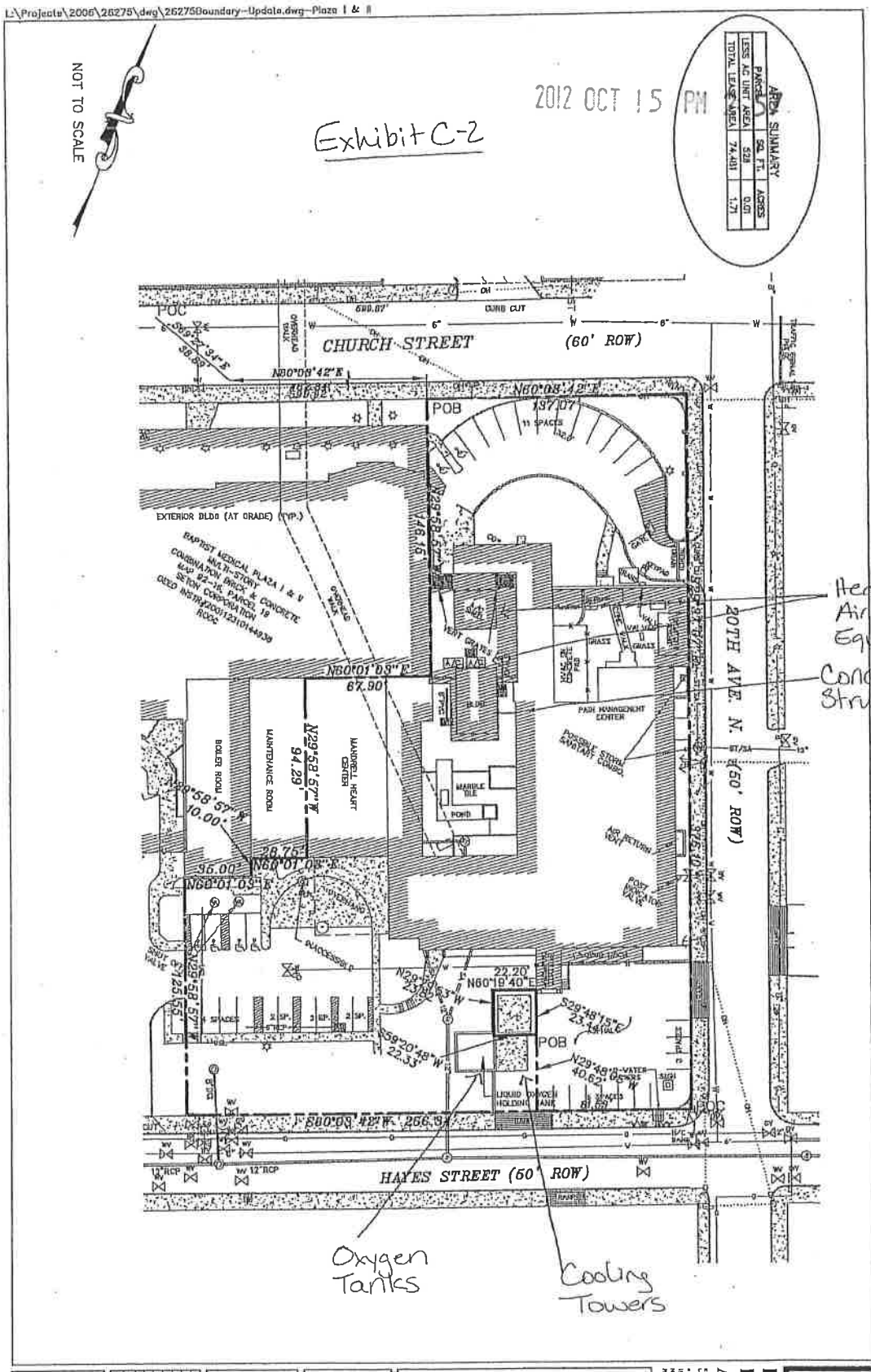
NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED

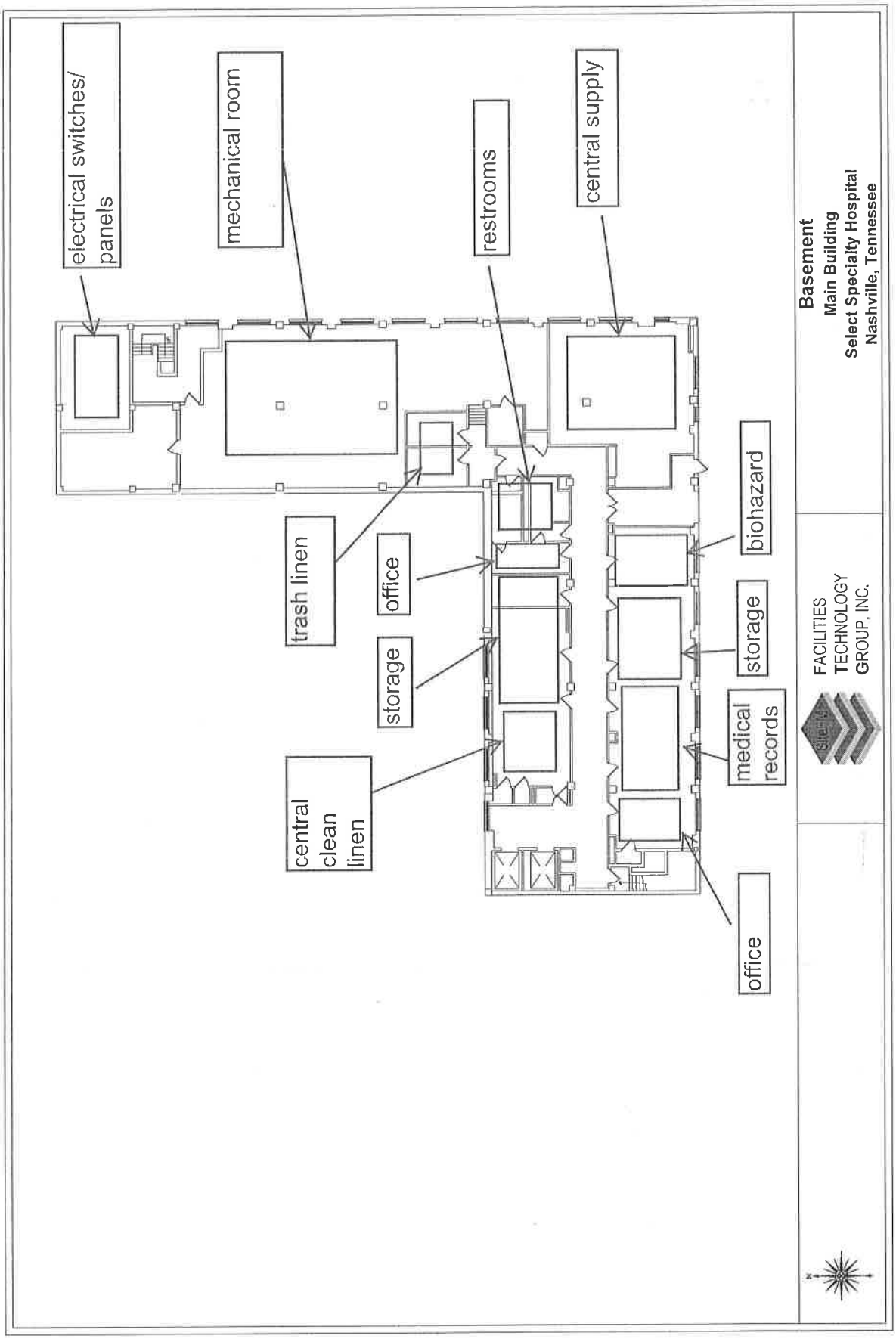
This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Select Specialty Hospital - Nashville, Inc., 2000 Hayes Street, Suite 1502, Nashville, TN 37203 ("Applicant"), managed by itself and owned by Select Medical Corporation, 4714 Gettysburg Road, Mechanicsburg, PA 17055 ("Owner"), intends to file a Certificate of Need application for the addition of thirteen (13) long term acute care beds to its hospital. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately $3,485,811.47, including filing fee.
The anticipated date of filing the application is: October 15, 2012.
The contact person for this project is E. Graham Baker, Jr., Attorney who may be reached at 2021 Richard Jones Road, Suite 350, Nashville, TN 37215, 615/370-3380.

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:
Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243
The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

nessee nonprofit corporation and a 501(c)(3) organization, to finance (i) the construction and equipping of a 53,900 square foot building, which will house a competition gym, a practice gym, a weight room, multi-purpose teaching rooms, locker rooms, physical education and athletic offices, concession stand, a training room, infrastructure items, landscaping and all other related expenditures; and (ii) construction of four new tennis courts. All of the improvements described above will be located on the campus of The Harpeth Hall School at 3801 Hobbs Road, Nashville, Tennessee 37215. Proceeds of the Bonds may also be used to pay issuance costs for the Bonds.
2. Authorizing all documents and matters necessary or desirable in connection with the issuance of not to exceed $170,000,000 Revenue Refunding Bonds (The Vanderbilt University), in one or more series (collectively, the "Vanderbilt Bonds"), the proceeds of the sale thereof to be loaned to The Vanderbilt University ("Vanderbilt University"), a Tennessee nonprofit corporation, for the purpose of providing funds, together with other available funds, to be used to refund all or a portion of the Corporation's outstanding Revenue Bonds, 2000 Series A (The Vanderbilt University), Revenue Bonds 2005 Series A-1 (The Vanderbilt University), and Tax-Exempt Commercial Paper Notes, Series A (The Vanderbilt University) (collectively, the "Prior Obligations"). The Prior Obligations financed loans to Vanderbilt University, the net proceeds of which, together with other available funds, were used to finance or refinance a variety of capital projects for Vanderbilt University's educational, research, and clinical programs in Nashville, Davidson County, Tennessee.
A public hearing (pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended) will be held at the above scheduled meeting by the Board in connection with the issuance of the Harpeth Hall Bonds and the location and the nature of the facilities to be financed with the proceeds of the Harpeth Hall Bonds. At such public hearing there will be an opportunity for persons to express their views concerning the foregoing. Anyone may appear in person at such public hearing or submit written comments to be considered thereat.
Additional information concerning the above may be obtained from, and written comments should be addressed to, Ms. Cynthia M. Barnett, Adams and Reese LLP, 424 Church Street, Suite 2800, Nashville, Tennessee 37219, telephone number (615) 259-1450.
Stephen L. Meyer,
Chairman

Attachment B.III

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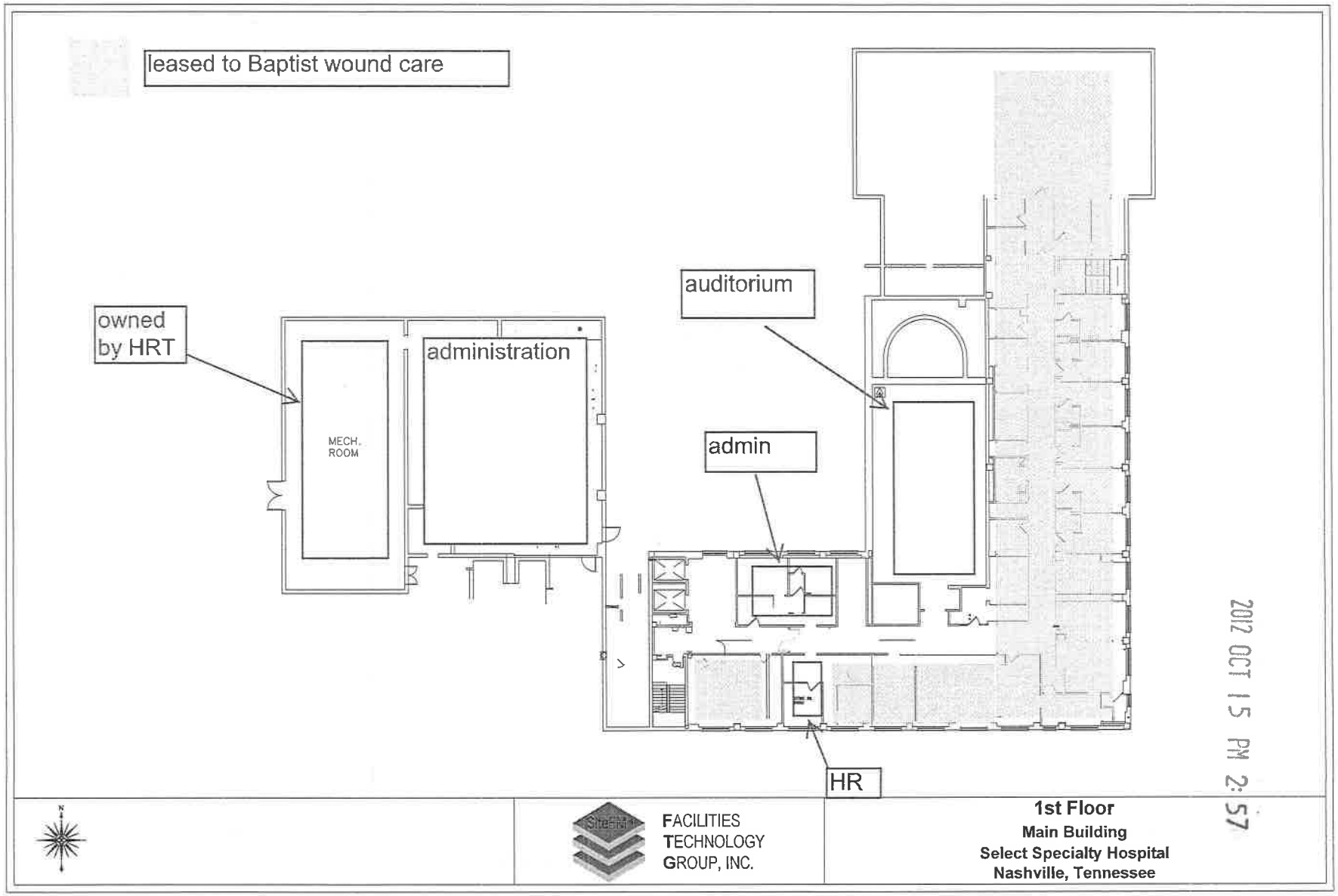
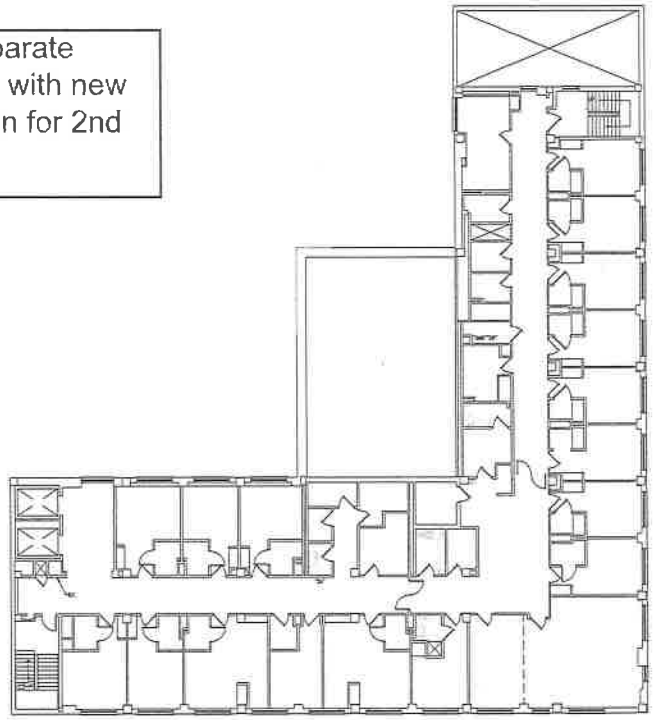
Select Specialty Hospital
Nashville, Tennessee
FACILITIES TECHNOLOGY GROUP, INC.


leased to Baptist wound care
owned by HRT
MECH. ROOM
administration
auditorium
admin
HR
FACILITIES TECHNOLOGY GROUP, INC.
1st Floor
Main Building
Select Specialty Hospital
Nashville, Tennessee
2012 OCT 15 PM 2:57

See separate drawing with new floor plan for 2nd floor



FACILITIES
TECHNOLOGY
GROUP, INC.

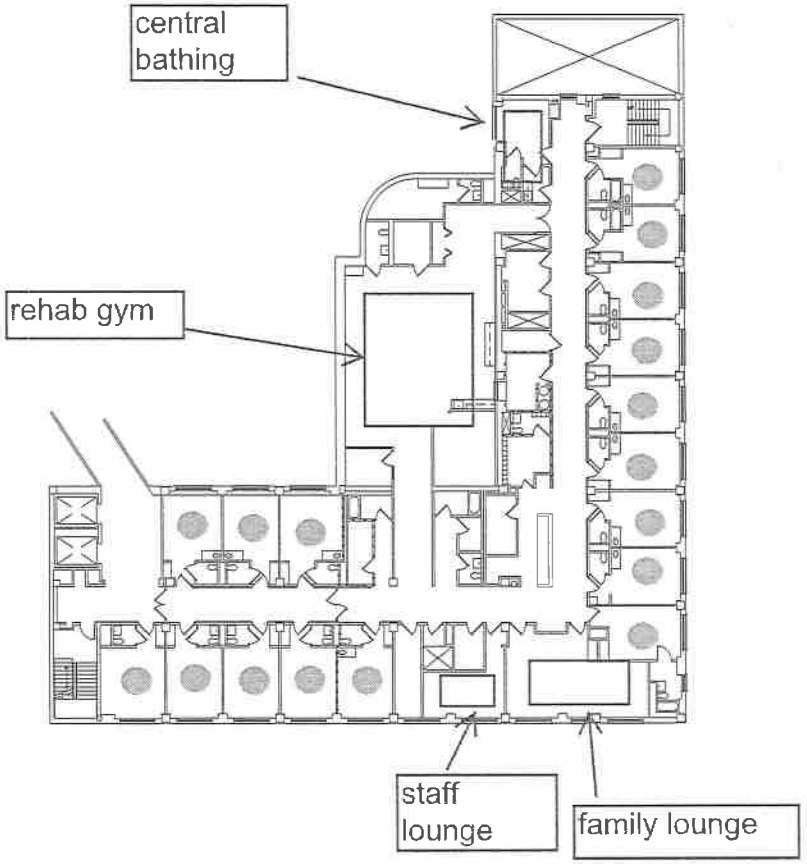
2nd Floor
Main Building
Select Specialty Hospital
Nashville, Tennessee

Existing Rooms
10 additional
13 additional
Second floor - new floor plan
2012 OCT 15 PM 2:58

Existing Rooms

10 additional

13 additional



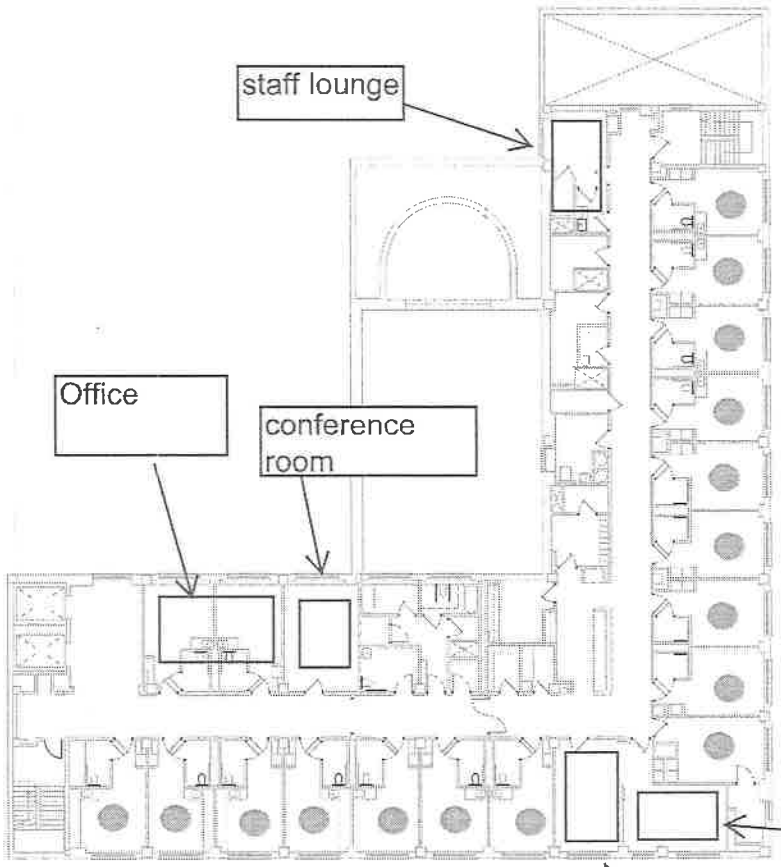
FACILITIES TECHNOLOGY GROUP, INC.

3rd Floor
Main Building
Select Specialty Hospital
Nashville, Tennessee

Existing Rooms

10 additional

13 additional



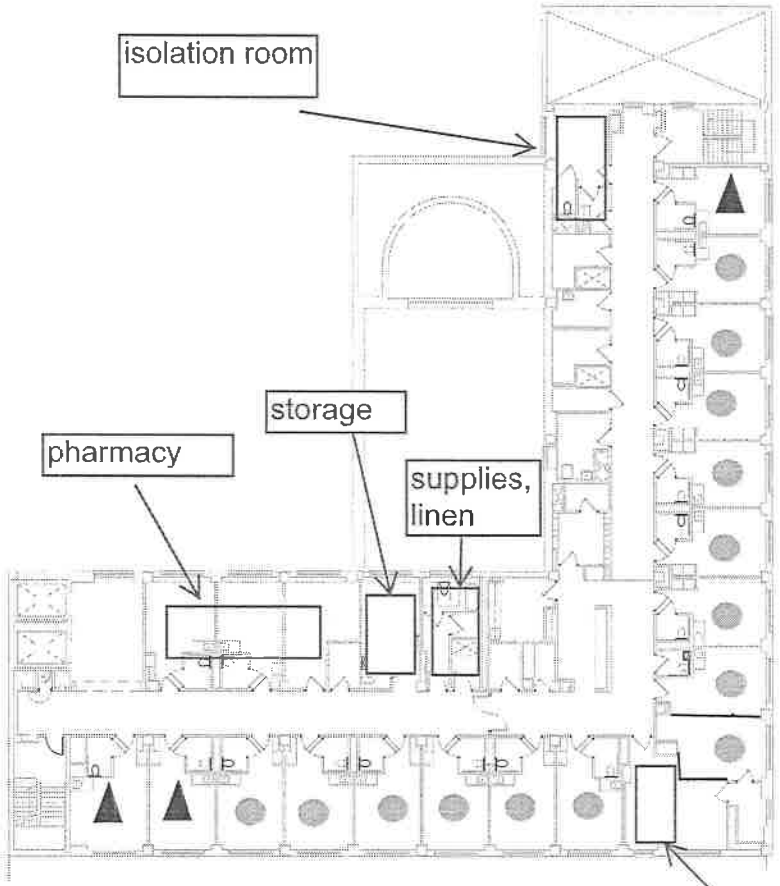
FACILITIES TECHNOLOGY GROUP, INC.

4th Floor
Main Building
Select Specialty Hospital
Nashville, Tennessee

Existing Rooms

10 additional

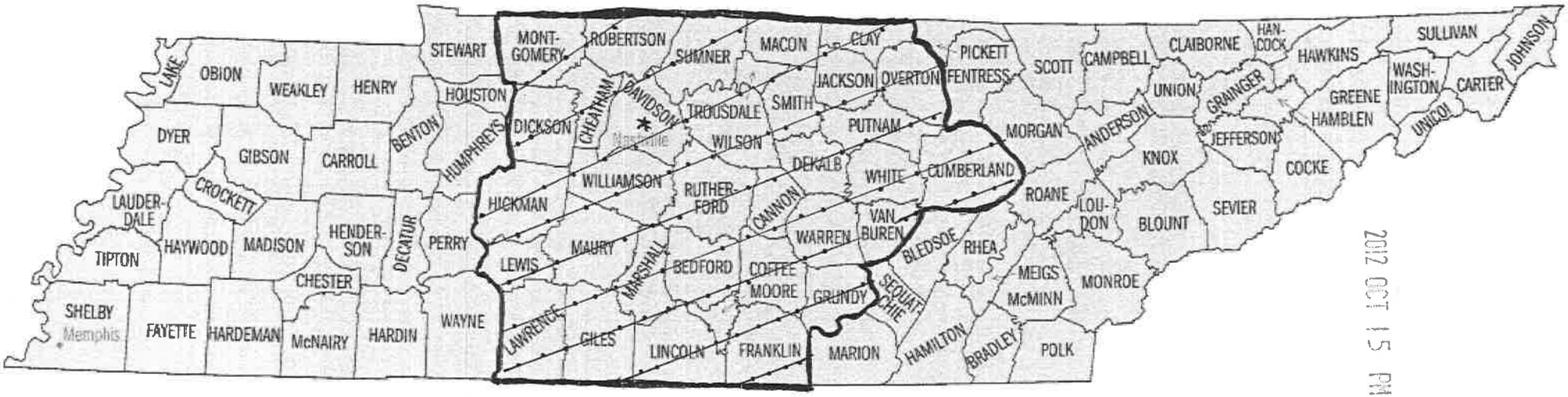
13 additional



FACILITIES
TECHNOLOGY
GROUP, INC.

5th Floor
Main Building
Select Specialty Hospital
Nashville, Tennessee

Tennessee County Map



Attachment C.Need.3

Service Area
LTACH Bed Need

Attachment C.Need.3.a

	2012 Pop.	Bed Need		2014 Pop.	Bed Need
Bedford	48,083	2		49,718	2
Cannon	14,269	1		14,550	1
Cheatham	42,222	2		43,330	2
Clay	8,201	0		8,256	0
Coffee	54,707	3		55,790	3
Cumberland	55,798	3		56,879	3
Davidson	602,257	30		609,905	30
DeKalb	19,366	1		19,710	1
Dickson	49,744	2		50,860	3
Franklin	43,112	2		43,763	2
Giles	30,076	2		30,390	2
Grundy	14,925	1		15,070	1
Hickman	26,100	1		26,881	1
Jackson	11,419	1		11,581	1
Lawernce	42,709	2		43,330	2
Lewis	12,208	1		12,412	1
Lincoln	34,084	2		34,548	2
Macon	23,208	1		23,706	1
Marshall	30,958	2		31,640	2
Maury	84,148	4		86,179	4
Montgomery	159,209	8		163,381	8
Moore	6,372	0		6,497	0
Overton	21,377	1		21,567	1
Putnam	72,489	4		73,942	4
Robertson	68,589	3		70,822	4
Rutherford	256,765	13		266,111	13
Smith	20,104	1		20,565	1
Sumner	162,422	8		166,801	8
Trousdale	8,287	0		8,443	0
Van Buren	5,511	0		5,538	0
Warren	42,263	2		43,042	2
White	25,521	1		25,896	1
Williamson	184,323	9		192,419	10
Wilson	114,437	6		117,941	6
Total	2,395,263	120		2,451,463	123

Service Area Occ. Rate

Attachment C.Need.5

2011

ID #	Hospitals	Pt days	# of Beds	Occ Rate
19754	Kindred Hospital - Nashville	6,505	60	29.7%
19784	Select Specialty Hospital - Nashville	15,876	47	92.6%
	Total	22,381	107	57.3%

2010

ID #	Hospitals	Pt days	# of Beds	Occ Rate
19754	Kindred Hospital - Nashville	8,466	60	38.7%
19784	Select Specialty Hospital - Nashville	16,007	47	93.3%
	Total	24,473	107	62.7%

2009

ID #	Hospitals	Pt days	# of Beds	Occ Rate
19754	Kindred Hospital - Nashville	9,548	60	43.6%
19784	Select Specialty Hospital - Nashville	16,253	47	94.7%
	Total	25,801	107	66.1%

2008

ID #	Hospitals	Pt days	# of Beds	Occ Rate
19754	Kindred Hospital - Nashville	10,504	60	48.0%
19784	Select Specialty Hospital - Nashville	16,024	47	93.4%
	Total	26,528	107	67.9%

Sourse: 2008, 2009, 2010 & 2011 Provisional JAR Schedule F - Beds (Licensed) & Schedule G-Untilization

Attachment C.EF.2

Select MEDICAL
Improving Quality of Life

Joel T. Veit
Vice President & Treasurer

October 12, 2012

Melanie Hill, Executive Director
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

Re: Select Specialty Hospital – Nashville, Inc.

Dear Ms. Hill:

I am the Vice President and Treasurer for Select Medical Corporation, the owner of Select Specialty Hospital – Nashville, Inc. Our latest financials, submitted with our Certificate of Need application, indicate that we have sufficient cash reserves to fund this $3,477,986 project.

This is to confirm that the cash reserves are both available and designated for this project.

Please contact me if you have any questions.

Sincerely,

Joel T. Veit
Vice President & Treasurer

cc: E. Graham Baker, Jr., Esq.

4714 Gettysburg Road • P.O. Box 2034 • Mechanicsburg, PA 17055
jveit@selectmedical.com • 717.972.1101 • Fax 717.303.0824
selectmedical.com

Profit and Loss - Actual vs Prior Month and Budget with YTD

Select Medical Corporation
Period: AUG-12 Currency: USD
Submitted: 04-OCT-12 09:47:33

COMPANY=420 (Nashville)

	CURRENT MTD ACTUAL	PRIOR MTD ACTUAL	YTD ACTUAL
CMI Medicare MTD	1.6400	1.4900	
CMI Medicare YTD	1.6000	1.5900	
Equivalent Patient Days	1,353.00	1,325.00	10,971.00
Average Daily Census	43.65	42.74	44.96
IP Physician Rounds	0.00	0.00	0.00
REVENUES			
Inpatient Routine	1,562,715.00	1,530,375.00	12,668,145.00
Inpatient Ancillary	3,717,592.91	3,428,501.97	27,838,196.38
Outpatient Ancillary	0.00	0.00	0.00
Total Patient Revenues	5,280,307.91	4,958,876.97	40,506,341.38
DEDUCTIONS FROM REVENUE			
Contractual Allowance	1,771,755.61	2,006,755.20	14,173,242.54
Contracted Discounts	1,047,506.54	745,247.62	7,960,805.35
Prior Year Contractual Adj	(2,381.15)	(2,597.11)	62,306.90
Other Revenue Deductions	1,715.58	1,128.79	2,841.92
Total Revenue Deductions	2,818,596.58	2,750,534.50	22,199,196.71
NET PATIENT REVENUE	2,461,711.33	2,208,342.47	18,307,144.67
Other Revenue	1,341.94	9,924.01	80,930.91
TOTAL NET REVENUE	2,463,053.27	2,218,266.48	18,388,075.58
OPERATING EXPENSES			
Salaries & Wages	893,679.30	855,039.79	6,740,026.06
Benefits	181,004.13	228,798.40	1,676,033.81
Contracted Departments	189,753.46	180,278.71	1,364,464.57
Physician Fees	41,797.00	42,231.12	323,174.48
Medical Supplies	153,337.13	134,639.97	1,109,550.11
Food & Other Supplies	13,174.15	15,224.57	112,140.94
Equipment Leases & Rentals	25,593.79	22,761.68	182,476.82
Other Fees	3,628.00	2,473.80	21,354.19
Data Processing Fees	0.00	0.00	218.50
Repairs & Maintenance	18,575.93	14,509.49	160,259.00
Utilities	30,843.85	56,926.03	437,349.81
Insurance	14,212.60	13,570.00	110,916.42
Taxes, Non-Income	3,727.30	2,537.20	19,749.31
Other Expenses	19,207.37	15,706.31	139,127.89
Bad Debt Expenses	50,721.00	30,005.00	183,225.00
Corporate Services	22,230.17	33,057.78	258,389.39
Total Operating Expenses	1,661,485.18	1,647,759.85	12,838,456.30
NET OPERATING PROFIT	801,568.09	570,506.63	5,549,619.28
CONTRIBUTION MARGIN %	32.54%	25.72%	30.18%
CAPITAL COSTS			

Profit and Loss - Actual vs Prior Month and Budget with YTD

Select Medical Corporation
Period: AUG-12 Currency: USD
Submitted: 04-OCT-12 09:47:33

COMPANY=420 (Nashville)

	CURRENT MTD ACTUAL	PRIOR MTD ACTUAL	YTD ACTUAL
Interest	0.00	0.00	0.00
Depreciation	50,083.08	50,118.38	504,834.56
Amortization	0.00	0.00	0.00
Facility/Office Lease	87,395.84	87,395.84	699,166.72
Property Taxes	18,754.76	18,754.76	152,180.93
Corporate Services Capital	0.00	0.00	0.00
Total Capital Costs	156,233.68	156,268.98	1,356,182.21
TOTAL COSTS	1,817,718.86	1,804,028.83	14,194,638.51
PRE-TAX/MGMT FEE	645,334.41	414,237.65	4,193,437.07
Management Fee	0.00	0.00	0.00
PRE-TAX/INTEREST	645,334.41	414,237.65	4,193,437.07
Intercompany Interest	(2,612.88)	(2,870.38)	(19,812.88)
Other Interest Income	0.00	0.00	0.00
PRE-TAX/MINORITY INT	647,947.29	417,108.03	4,213,249.95
Minority Interest	0.00	0.00	0.00
PRE-TAX PROFIT	647,947.29	417,108.03	4,213,249.95
Income Taxes	0.00	0.00	0.00
NET INCOME	647,947.29	417,108.03	4,213,249.95
EBIT	645,334.41	414,237.65	4,193,437.07
EBITDA	695,417.49	464,356.03	4,698,271.63
EBITDA MARGIN %	28.23%	20.93%	25.55%
Gross Rev/PPD	3,902.67	3,742.55	3,692.13
Net Rev/PPD	1,819.45	1,666.67	1,668.69
Net Non-Medicare/PPD	1,598.64	1,595.51	1,695.19
Salaries & Benefits/PPD	794.30	817.99	767.12
Salaries/PPD	660.52	645.31	614.35
Benefits/PPD	133.78	172.68	152.77
Nurse & Thrpy SW&B/PPD (Dashboard)	522.70	533.14	519.55
Temp Labor/PPD	2.84	7.28	7.62
Nursing SW&B/$	588,529.56	614,623.87	4,723,683.40
Nursing SW&B/PPD	434.98	463.87	430.56
Nursing Salaries/PPD	338.47	340.94	323.29
Nursing Benefits/PPD	77.97	101.95	89.94
Nursing Overtime/PPD	18.54	20.98	17.34
Nursing Temp Labor/$	0.00	0.00	0.00
Nursing Temp Labor/PPD	0.00	0.00	0.00
Dialysis SW&B/PPD	0.00	0.00	0.00
Radiology SW&B/PPD	0.00	0.00	0.00
Surgery SW&B/PPD	0.00	0.00	0.00
Outpatient SW&B/PPD	0.00	0.00	0.00
RT SW&B/PPD	107.24	98.65	95.81
RT Temp Labor/PPD	0.00	0.00	0.00
PT SW&B/PPD	28.44	35.96	35.01
OT SW&B/PPD	23.85	23.07	23.66

Profit and Loss - Actual vs Prior Month and Budget with YTD

Select Medical Corporation
Period: AUG-12 Currency: USD
Submitted: 04-OCT-12 09:47:33

COMPANY=420 (Nashville)

	CURRENT MTD ACTUAL	PRIOR MTD ACTUAL	YTD ACTUAL
ST SW&B/PPD	25.39	14.30	15.21
Rehab Temp Labor/PPD	2.84	7.28	7.62
Dietary SW&B/PPD	0.00	0.00	0.00
Food/PPD	0.00	0.00	0.00
Dietary/PPD	15.80	12.80	13.74
Net Dietary/PPD	10.29	6.40	9.04
Housekeeping SW&B/PPD	16.03	18.14	12.80
Housekeeping Supplies/PPD	5.94	4.99	3.77
Housekeeping/PPD	22.00	23.17	21.39
Plant Operations SW&B/PPD	13.67	15.18	14.29
Plant Operations/PPD	22.99	18.85	20.66
Contracted Department/PPD	140.25	136.06	124.37
Lab/PPD	33.78	37.72	31.20
Radiology/PPD	20.34	22.96	20.72
Surgery/PPD	3.65	0.00	0.80
Laundry/PPD	12.90	10.22	9.08
Equipment Leases & Rentals/PPD	18.92	17.18	16.63
Equipment Leasing/PPD	5.13	5.24	5.01
Equipment Rental/PPD	13.79	11.94	11.62
Pharmacy SW&B/PPD	28.76	30.69	26.69
Pharmacy Supplies/$	50,660.44	39,760.14	381,445.86
Pharmacy Supplies/PPD	37.44	30.01	34.77
Pharmacy Bill & Non-Bill/PPD (Dashboard)	37.44	30.01	34.77
Total Pharmacy/PPD	67.77	62.18	63.03
Central Supply SW&B/PPD	7.24	7.72	7.38
Central Supplies/$	95,994.59	91,700.69	695,404.02
Central Supplies/PPD	70.95	69.21	63.39
Total Central Supply/PPD	93.21	92.49	84.68
Supplies (Dashboard)	96,202.65	86,992.54	667,825.14
Supplies (Dashboard)/PPD	71.10	65.65	60.87
All Supplies Combined/PPD	123.07	113.11	111.36
Repairs & Maintenance/PPD	13.73	10.95	14.61
Other Expenses/PPD	14.20	11.85	12.68
Bad Debt as a % of Net Revenue	2.06	1.35	1.00
Operating Exp/PPD	1,228.00	1,243.59	1,170.22
Total Expenses/PPD	1,343.47	1,361.53	1,293.83
PATIENT DAYS			
Medicare Days	793.00	850.00	6,277.00
Medicaid Days	75.00	32.00	478.00
Commercial Days	255.00	159.00	2,503.00
Medicare HMO Days	196.00	283.00	1,520.00
Medicare Exhaust Days	31.00	0.00	82.00
Workers Comp Days	3.00	6.00	118.00
Self Pay Patient Days	0.00	0.00	3.00
Charity Patient Days	0.00	0.00	0.00
Auto Patient Days	0.00	(5.00)	(10.00)
% Medicare Pt Days	58.61%	64.15%	57.21%
% Medicaid Pt Days	5.54%	2.42%	4.36%
% Medicare HMO Pt Days	14.49%	21.36%	13.85%

Profit and Loss - Actual vs Prior Month and Budget with YTD

Select Medical Corporation
Period: AUG-12 Currency: USD
Submitted: 04-OCT-12 09:47:33

COMPANY=420 (Nashville)

	CURRENT MTD ACTUAL	PRIOR MTD ACTUAL	YTD ACTUAL
% Commercial Pt Days	18.85%	12.00%	22.81%
% Medicare Exhaust Pt Days	2.29%	0.00%	0.75%
% Workers Comp Pt Days	0.22%	0.45%	1.08%
% Self Pay Pt Days	0.00%	0.00%	0.03%
% Charity Pt Days	0.00%	0.00%	0.00%
% Auto Pt Days	0.00%	-0.38%	-0.09%
DISCHARGES			
Medicare Discharges	26.00	23.00	179.00
Medicaid Discharges	1.00	1.00	10.00
Medicare HMO Dischgs	6.00	9.00	48.00
Commercial Discharges	5.00	6.00	56.00
Medicare Exhaust Dischgs	0.00	0.00	2.00
Workers Comp Dischgs	0.00	1.00	4.00
Self Pay Discharges	0.00	0.00	1.00
Charity Discharges	0.00	0.00	0.00
Auto Discharges	0.00	0.00	0.00
TOTAL DISCHARGES	38.00	40.00	300.00
ADMISSIONS			
Medicare Admissions	18.00	29.00	179.00
Medicaid Admissions	3.00	1.00	9.00
Medicare HMO Admissions	6.00	6.00	50.00
Commercial Admissions	9.00	4.00	55.00
Medicare Exhaust Admissions	0.00	0.00	0.00
Workers Comp Admissions	1.00	0.00	5.00
Self Pay Admissions	0.00	0.00	0.00
Charity Admissions	0.00	0.00	0.00
Auto Admissions	0.00	1.00	(2.00)
TOTAL ADMISSIONS	37.00	41.00	296.00
NET REVENUE BY PAYOR (excl Prior Year Contractual Adj)			
MEDICARE GROSS REVENUE	3,181,902.83	3,379,477.80	23,601,580.79
CONTRACTUAL MEDICARE	1,618,105.42	1,935,269.06	13,184,407.46
NET MEDICARE REVENUE	1,563,797.41	1,444,208.74	10,417,173.33
NET MEDICARE PPD	1,972.00	1,699.07	1,659.58
NET EST MEDICARE REV PER DISCH	60,146.05	62,791.68	58,196.50
MEDICARE PART B GROSS REVENUE	1,471.70	32,145.27	36,413.10
CONTRACTUAL MEDICARE PART B	1,177.36	28,474.39	41,351.51
NET MEDICARE PART B REVENUE	294.34	3,670.88	(4,938.41)
MEDICAID GROSS REVENUE	260,750.19	118,686.14	1,727,132.49
CONTRACTUAL MEDICAID	153,650.19	71,486.14	988,835.08
NET MEDICAID REVENUE	107,100.00	47,200.00	738,297.41
NET MEDICAID PPD	1,428.00	1,475.00	1,544.56

Profit and Loss - Actual vs Prior Month and Budget with YTD

Select Medical Corporation

Select Medical Corporation 2012 OCT 15 PM 2:58
Period: AUG-12 Currency: USD
Submitted: 04-OCT-12 09:47:33

COMPANY=420 (Nashville)

	CURRENT MTD ACTUAL	PRIOR MTD ACTUAL	YTD ACTUAL
COMMERCIAL GROSS REVENUE	957,526.49	561,959.11	8,950,494.65
CONTRACTUAL COMMERCIAL	529,469.49	252,920.41	4,631,027.66
NET COMMERCIAL REVENUE	428,057.00	309,038.70	4,319,466.99
NET COMMERCIAL PPD	1,678.65	1,943.64	1,725.72
MEDICARE EXHAUST REVENUE	143,864.40	(23,245.67)	343,882.10
CONTRACTUAL MED EXH	86,638.40	(17,933.61)	208,558.07
NET MEDICARE EXHAUST REVENUE	57,226.00	(5,312.06)	135,324.03
NET MED EXH PPD	1,846.00	n/m	1,650.29
W COMP GROSS REVENUE	15,251.03	30,583.95	505,302.37
CONTRACTUAL W COMP	10,901.03	21,583.95	269,907.99
NET W COMP REVENUE	4,350.00	9,000.00	235,394.38
NET W COMP PPD	1,450.00	1,500.00	1,994.87
MEDICARE HMO	719,541.27	887,145.35	5,322,840.78
CONTRACTUAL MED HMO	416,533.56	465,159.21	2,845,108.33
NET MEDICARE HMO REVENUE	303,007.71	421,986.14	2,477,732.45
NET MED HMO PPD	1,545.96	1,491.12	1,630.09
SELF PAY REVENUE	0.00	0.00	10,781.00
CONTRACTUAL SELF PAY	4,502.23	2,061.62	42,053.52
NET SELF PAY REVENUE	(4,502.23)	(2,061.62)	(31,272.52)
NET SELF PAY PPD	n/m	n/m	(10,424.17)
CHARITY REVENUE	0.00	0.00	0.00
CONTRACTUAL CHARITY	0.00	0.00	0.00
NET CHARITY REVENUE	0.00	0.00	0.00
NET CHARITY PPD	n/m	n/m	n/m
AUTO REVENUE	0.00	(27,874.98)	7,914.10
CONTRACTUAL AUTO	0.00	(5,891.25)	(74,359.10)
NET AUTO REVENUE	0.00	(21,983.73)	82,273.20
NET AUTO PPD	n/m	4,396.75	(8,227.32)
TOTAL NET REVENUE BY PAYOR (excl Prior Year C	2,459,330.23	2,205,747.05	18,369,450.86
NET REVENUE BY PAYOR (incl Prior Year Contractual Adj)			
NET MEDICARE REVENUE (incl PYCA)	1,566,178.56	1,446,805.85	10,354,866.43
NET MEDICARE PPD (incl PYCA)	1,975.00	1,702.12	1,649.65
NET MEDICARE PART B REVENUE (incl PYCA)	294.34	3,670.88	(4,938.41)
NET MEDICAID REVENUE (incl PYCA)	107,100.00	47,200.00	738,297.41
NET MEDICAID PPD (incl PYCA)	1,428.00	1,475.00	1,544.56
NET COMMERCIAL REVENUE (incl PYCA)	428,057.00	309,038.70	4,319,466.99

Profit and Loss - Actual vs Prior Month and Budget with YTD

Select Medical Corporation
Period: AUG-12 Currency: USD
Submitted: 04-OCT-12 09:47:33

COMPANY=420 (Nashville)

	CURRENT MTD ACTUAL	PRIOR MTD ACTUAL	YTD ACTUAL
NET COMMERCIAL PPD (incl PYCA)	1,678.65	1,943.64	1,725.72
NET MEDICARE EXHAUST REVENUE (incl PYCA)	57,226.00	(5,312.06)	135,324.03
NET MEDICARE EXHAUST REVENUE PPD (incl PY	1,846.00	n/m	1,650.29
NET W COMP REVENUE (incl PYCA)	4,350.00	9,000.00	235,394.38
NET W COMP PPD (incl PYCA)	1,450.00	1,500.00	1,994.87
NET MEDICARE HMO REVENUE (incl PYCA)	303,007.71	421,986.14	2,477,732.45
NET MEDICARE HMO PPD (incl PYCA)	1,545.96	1,491.12	1,630.09
NET SELF PAY REVENUE (incl PYCA)	(4,502.23)	(2,061.62)	(31,272.52)
NET SELF PAY PPD (incl PYCA)	n/m	n/m	(10,424.17)
NET CHARITY REVENUE (incl PYCA)	0.00	0.00	0.00
NET CHARITY PPD (incl PYCA)	n/m	n/m	n/m
NET AUTO REVENUE (incl PYCA)	0.00	(21,983.73)	82,273.20
NET AUTO PPD (incl PYCA)	n/m	4,396.75	(8,227.32)
TOTAL NET REVENUE BY PAYOR (incl PYCA)	2,461,711.38	2,208,344.16	18,307,143.96

ORACLE Applications

(YTD BALANCE SHEET REPORT

lect Medical Corporation
d: AUG-12 Currency: USD
Submitted: 04-OCT-12 09:47:54

COMPANY=420 (Nashville)

	YTD
Current assets:	
Cash and cash equivalents	0.00
Accounts receivables:	
Patient receivables	11,291,600.56
AR Clearing	(2,509,191.83)
Contractual adjustments	(5,201,395.70)
Allow for doubtful accounts	(225,990.61)
Other receivables	0.00
Prepaid expenses	0.00
Other current assets	84,774.17
Total current assets	3,439,796.59
Affiliates:	
Investments in	0.00
Advances to	21,176,889.63
Total affiliates	21,176,889.63
Property and equipment:	
Land	0.00
Building and improvements	3,027,671.31
Assets under capital leases	0.00
Furniture and equipment	3,396,521.85
Asset Clearing	0.00
Total fixed assets	6,424,193.16
Less accum. deprec	(4,348,225.90)
Net val property, plant & equip	2,075,967.26
Construction in progress	337,955.82
Total property, plant & equip	2,413,923.08
Other assets:	
Deposits	5,000.00
Prepaid rent	0.00
Goodwill, net	2,232,560.82
Other intangibles	0.00
Mgmt service agreements	0.00
Long term investments	0.00
Notes receivable	0.00
Deferred costs, net	0.00
Deferred financing costs, net	0.00
Other noncurrent assets	0.00
Total noncurrent assets	2,237,560.82
Total assets	29,268,170.12

COMPANY=420 (Nashville)

	YTD
Current liabilities:	
Notes payable	
Current portion of L-T debt:	
Seller notes - current	0.00
Notes and mortgages	0.00
Capital leases	0.00
Accounts payable	482,575.04
Accrued expenses:	
Payroll	0.00
Vacation	432,093.90
Insurance	0.00
Other	208,048.51
Due to third party payor	(1,088,274.00)
Income taxes:	
Current	0.00
Deferred	0.00
Total current liabilities	34,443.45
L-T debt, net of current portion:	
Notes, mortgages & conv. debt	0.00
Seller notes - LT	0.00
Subordinate debt	0.00
Credit facility debt	0.00
Capital leases	0.00
Other liabilities:	
Deferred income taxes	0.00
Other L-T liabilities	0.00
Total L-T debt & liab	0.00
Minority interest:	
Capital	0.00
Retained earnings	0.00
Total minority interest	0.00
Shareholders & partners equity:	
Common stock	0.00
Preferred stock (Class A)	0.00
Preferred stock (Class B)	0.00
Preferred stock dividends	0.00
Distributions	0.00
Capital in excess of par	5,235,428.90
Retained earnings, prior	19,785,047.82
Current year net income (loss)	4,213,249.95
Total S & P equity	29,233,726.67
Total liabilities & equity	29,268,170.12

PRINTED: 03/19/2012
FORM APPROVED
OMB NO. 0938-0391

DEPARTMENT OF HEALTH AND HUMAN SERVICES
CENTERS FOR MEDICARE & MEDICAID SERVICES

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	442011	A. BUILDING _____ B. WING _____	C 03/12/2012

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
SELECT SPECIALTY HOSPITAL-NASHVILLE	2000 HAYES STREET NASHVILLE, TN 37203

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETION DATE
A 397	482.23(b)(5) PATIENT CARE ASSIGMENTS A registered nurse must assign the nursing care of each patient to other nursing personnel in accordance with the patient's needs and the specialized qualifications and competence of the nursing staff available. This STANDARD is not met as evidenced by: Intakes: TN00028910 Based on review of staff competencies, medical record review and interview, it was determined the facility failed to provide properly trained staff to care for 2 of 2 (Patient's #1 and 2) sampled patients receiving peritoneal dialysis. The findings included: 1. Review of competency files for Nurse #1, #2, #3, #4 and #5 provided by the Director of Quality revealed there was no documentation of training and competence for care of a peritoneal dialysis patient. 2. Medical record review for Patient #1 revealed an admission date of 11/15/11 with diagnoses of Status Post Left Above Knee Amputation, Right Forefoot Amputation, End Stage Renal Disease with Ongoing Peritoneal Dialysis and Diabetes Mellitus. The patient was discharged to a skilled nursing facility on 1/12/12. A physicians order dated 11/17/11 documented, "...also record net UF [ultrafiltration] each AM at the end of cycler run (use P.D. [Peritoneal Dialysis] Flow Sheets." Review of the PD Flowsheets for Patient #1 revealed no documentation of UF on 11/21/11 through 11/24/11, 12/7/11 through 12/20/11 and 12/22/11 through 1/12/12. Care was provided by Nurse #1, #2 and #3.	A 397	**A397 Patient Care Assignments** 1) The Chief Nursing Officer ("CNO") is responsible for the corrective action plan and ongoing compliance 2) Each staff member assigned to care for the PD patient will complete Peritoneal Dialysis ("PD") training, performance checklist and demonstrate competency prior to being assigned to care for the PD patient.3) The CNO has identified the current Supervisors and RN staff who are required to complete the training courses and competency performance checklist. Additionally, for those staff who have already completed the training course but had not had demonstrated competency for completing the PD flow sheet, the CNO is requiring the staff to repeat the training course. On March 16, 2012, the CNO communicated the training requirements to the identified RNs and supervisors. The goal date for 100% assigned staff to complete the PD training course is April 24, 2012. The competency performance checklist will be completed by the supervisor for each RN assigned to a PD patient. Any instances of staff non-compliance in completing this PD training will be addressed by the CNO in accordance with Select Human Resource policies. 4) For all new hires, the CNO is responsible to identify the nursing staff require training and coordinate the completion of the new hire's PD training course and competency performance checklist.	4/26112

LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

Any deficiency statement ending with an asterisk (*) denotes a deficiency which the institution may be excused from correcting providing it is determined that other safeguards provide sufficient protection to the patients. (See instructions.) Except for nursing homes, the findings stated above are disclosable 90 days following the date of survey whether or not a plan of correction is provided. For nursing homes, the above findings and plans of correction are disclosable 14 days following the date these documents are made available to the facility. If deficiencies are cited, an approved plan of correction is requisite to continued program participation.

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	442011	A. BUILDING _____ B. WING _____ 2012 OCT 15 PM 2:58	C 03/12/2012

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
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A 438	482.24(b) FORM AND RETENTION OF RECORDS The hospital must maintain a medical record for each inpatient and outpatient. Medical records must be accurately written, promptly completed, properly filed and retained, and accessible. The hospital must use a system of author identification and record maintenance that ensures the integrity of the authentication and protects the security of all record entries. This STANDARD is not met as evidenced by: Based on medical record review and interview, it was determined the facility failed to provide an accurate medical record for 2 of 2 (Patient's 1 and 2) sampled patients receiving peritoneal	A 438		4/26/12

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Select Specialty Hospital Nashville, TN

Date of Survey 3/12/12

A438 Forms and Records - Action Plan continued – Completion Date: 4/26/12

1) The Chief Nursing Officer ("CNO") is responsible for the corrective action plan and ongoing compliance

2) Each staff member assigned to care for the PD patient will complete Peritoneal Dialysis ("PD") training, performance checklist and demonstrate competency prior to being assigned to care for the PD patient.

3) The CNO has identified the current Supervisors and RN staff who are required to complete the training courses and competency performance checklist. Additionally, for those staff who have already completed the training course but had not had demonstrated competency for completing the PD flow sheet, the CNO is requiring the staff to repeat the training course. On March 16, 2012, the CNO communicated the training requirements to the identified RNs and supervisors. The goal date for 100% assigned staff to complete the PD training course is April 24, 2012. The competency performance checklist will be completed by the supervisor for each RN assigned to a PD patient. Any instances of staff non-compliance in completing this PD training will be addressed by the CNO in accordance with Select Human Resource policies.

4) For all new hires, the CNO is responsible to identify the nursing staff require training and coordinate the completion of the new hire's PD training course and competency performance checklist.

5) The staff's documentation of the completed training course and competency checklist will be provided to the Human Resource Coordinator to maintain in the employee's file.

6) As of March 23, 2012, the CNO will coordinate maintaining a list of staff who have successfully completed PD training and competency performance checklist. This list will be verified by completing quarterly audits of the employee files to ensure PD training documentation is present. The goal for staff who has completed PD training to have documentation present in their file is 100%.

Prior to any planned admission of a PD patient, the CNO and/or designated supervisor are responsible to review this list. The CNO and /or designated supervisor are then responsible to utilize this list to only assign staff to PD patients based upon the successful completion of PD training course. The supervisor will ensure that a competency performance checklist is also completed on each RN assigned to the PD patient.

Additionally, with any planned PD patient admission to Select, the CNO and/or designated supervisors will be charged with over site for each of the PD patients' to ensure just in time staff re-training and review of required documentation on the PD flow sheet.

7) As of March 23, 2012, on a concurrent basis, the supervisor will review 100% of PD flow sheet documentation. The goal for complete PD flow sheet documentation is 100%. The supervisor will provide the completed audits of documentation review to the CNO. Any instances of staff non-compliance in completing the documentation on the PD flow sheet will be addressed by the CNO in accordance with Select Human Resource policies.

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LABORATORY DIRECTOR'S OR PROVIDER/SUPPLIER REPRESENTATIVE'S SIGNATURE | TITLE | (X6) DATE

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Select Specialty Hospital Nashville, TN

Date of Survey 3/12/12

A438 Forms and Records - Action Plan continued – Completion Date: 4/26/12

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Dean (Morrison), Stefanie

From: McAlister, Michael H.
Sent: Friday, September 09, 2011 6:14 PM
To: McAlister, Michael H.; Stinson, Tim; Dean (Morrison), Stefanie; Hogan, Miriam L.; Gordon, Joe; Burkett, Mary; Alexander, Mary; Hernandez, Fay; Sparks, Tammy
Cc: Goff, Kerry D.; McGaw, Patricia; Cagle, Karen
Subject: RE: TJC in Nashville
Attachments: On Site Report2.pdf

We have completed our survey and I am proud of our team for a very positive outcome. Attached is the on-site report and I have summarized the findings below. Both surveyors were very complementary of our staff and team. They were impressed with our outcomes, initiatives, organization and overall success.

2 Direct Findings

- EC.02.05.07 (EP5, EP7)
  - EP5 - Did not meet annual generator load bank requirement
    - I have addressed with DPO and Steve Heisler. Plan in place to correct next week and ongoing
  - EP7 - 36 month generator load bank requirement – past due
    - Surveyor did not read form correctly. Thought the last test was done 5/12/08, but was done 11/7/08. Will submit clarification with supporting documentation to TJC after report is posted on our extranet site.
- PC.03.01.03 (EP1, EP8)
  - EP1 – During tracer, no evidence that physician performed a pre sedation assessment prior to EGD at bedside
    - Procedure completed by host physician. Host hospital's consent includes this assessment and ours does not.
    - Need to consider providing a location for this to be documented.
  - EP8 – During tracer, no evidence that pt was reassessed immediately prior to administration of moderate sedation
    - Vitals taken and meds administered 40 minutes later
    - Surveyor recommended that the policy/practice be revised to define that assessment is needed within minutes prior to administration.

2 Indirect findings

- IC.01.04.01 (EP1-5)
  - IC Plan does not include measureable and objective goals for the required focus areas
    - Surveyor provided best practice sample and recommended that we change format for all hospitals
- RC.02.03.07 (EP4)
  - Observed non compliance in 4 tracers of verbal orders either not being dated, timed, or signed within the 24 hour time frame indicated in policy. All related to physicians
    - Recently implemented digital date/time stamper in hopes to improve compliance
    - Will continue to educate physicians and staff of this importance.

There were several consultative recommendations that we will pursue and implement. We also provided some best practices that the survey team plans to share with other hospitals. Please let me know if you have any questions. Thanks you....Mike

Mike McAlister, MPT MBA
Administrator
Select Specialty Hospital - Nashville

2000 Hayes St. Suite 1502
Nashville, TN 37203
Office: 615-284-6707
Fax: 615-284-6731
Cell: 615-714-2908

From: McAlister, Michael H.
Sent: Wednesday, September 07, 2011 10:33 AM
To: McAlister, Michael H.; Stinson, Tim; Dean (Morrison), Stefanie; Hogan, Miriam L.; Gordon, Joe; Burkett, Mary; Alexander, Mary; Hernandez, Fay; Sparks, Tammy
Cc: Goff, Kerry D.; McGaw, Patricia; Cagle, Karen
Subject: RE: TJC in Nashville

The opening conference went well and was attended by myself, Kerry Goff (CEO orientee), Pat McGaw (DQM), Karen Cagle (CNO), Mike Branch (DPO), and Bobbie Marler (HRC). We have one nurse surveyor (Billie Kesh-Sheeran) here for 3 days and one life safety engineer (Roger Cagle) here for 2 days. The surveyors requested no audio recording of opening or exit conferences.

Today will consist of document review and individual patient tracers. Tomorrow will be data management, EOC/Emergency Management, Medical staff review, and EOC exit. Day 3 will consist of leadership session, competence assessment and exit conference. Each day will have a daily briefing.

So far the below items have been requested:

- PI data for last 12 months
- PI minutes for last 12 months
- IC data for last 12 months
- IC Plan
- IC Annual Evaluation
- Analysis of High Risk Process
- Current list of inhouse patients with Name, Room #, Diagnosis, Physician, Admit date, and LOS
- List of unapproved abbreviations
- Med Staff Rules and Regs
- MEC minutes for last 12 months
- Board minutes for last 12 months
- Med Staff Roster
- EOC readiness and Plant operations documents

Mike McAlister, MPT MBA
Administrator
Select Specialty Hospital - Nashville
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-----Original Message-----
From: McAlister, Michael H.
Sent: Wednesday, September 07, 2011 7:47 AM
To: Stinson, Tim; Dean (Morrison), Stefanie; Hogan, Miriam L.; Gordon, Joe; Burkett, Mary; Alexander, Mary; Hernandez, Fay; Sparks, Tammy

Cc: Goff, Kerry D.; SSH - Nashville - Management Team
Subject: TJC in Nashville

Our website shows that Joint Commission will be in Nashville today for a full survey. I will provide an update after the opening conference. Thanks...Mike

2012 OCT 15 PM 2:58

COPY-

SUPPLEMENTAL-1

Select Specialty Hosp. - Nashville, Inc.

CN1210-053

1. Section A, Applicant Profile, Item 4

Please submit documentation from the Tennessee Secretary of State that acknowledges and verifies the type of ownership as identified by the applicant.

Response: Please see *Supplemental A.4*, a Certificate of Existence from the Tennessee Secretary of State.

Please also document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated 68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership of each health care institution identified.

Response: The Applicant's parent company owns 100% of each facility below:

Select Specialty Hospital – Knoxville
1901 Clinch Avenue, 4th Floor
Knoxville, TN 37916
865-541-2615
Facility License Number: 149
Number of Beds: 35
Date of Last Licensure Survey: 10/05/2010
JCAHO Accreditation Expires: 08/30/2013
Date of Original Licensure: 01/12/1998

Select Specialty Hospital – Memphis
5959 Park Avenue, 12th Floor
Memphis, TN 38119
901-765-1245
Facility License Number: 147
Number of Beds: 39
Date of Last Licensure Survey: 01/14/2009
JCAHO Accreditation Expires: 02/26/2013
Date of Original Licensure: 05/12/1997

Select Specialty Hospital – Nashville
2000 Hayes Street, Suite 1502
Nashville, TN 37203
615-284-4599
Facility License Number: 144
Number of Beds: 47
Date of Last Licensure Survey: 05/18/2009
JCAHO Accreditation Expires: 11/21/2014
Date of Original Licensure: 10/03/1995

Select Specialty Hospital – North Knoxville
900 East Oak Hill Avenue, 4th Floor
Knoxville, TN 37917
865-545-7370
Facility License Number: 148
Number of Beds: 33
Date of Last Licensure Survey: 08/11/2006
JCAHO Accreditation Expires: 06/24/2013
Date of Original Licensure: 04/13/1998

2012 OCT 25 PM 12:43

Select Specialty Hospitals – Tricities, Inc.
One Medical Park Blvd, 5th Floor West
Bristol, TN 37620
423-844-5900
Facility License Number: 153
Number of Beds: 33
Date of Last Licensure Survey: 02/06/2008
JCAHO Accreditation Expires: 05/11/2013
Date of Original Licensure: 03/14/2000

The above information was taken from web site of the Board for Licensing Health Care Facilities, TN Department of Health, on October 19, 2012 at 3:16 p.m. The 10 bed addition currently being requested (via CON exemption) by the Applicant has not been finalized.

2. Section A, Applicant Profile, Item 13

The applicant has answered "No" to the question "Will this project involve the treatment of TennCare participants", but then goes on to discuss the MCOs with which the applicant has contracts. Please explain.

Response: The answer should have been "YES" – please pardon the typo, and see Replacement Page 8.

3. Section B, Project Description, Item I.

What will be the mix of private and semi-private beds after project completion? Please complete the following chart unless the beds are all private.:

Private/Semi-Private Bed Mix by Floor

Floor	Existing Beds	Private/Semi-Private Beds	Beds After Project	Private/Semi-Private Beds After Project
1st				
2nd				
3rd				
4th				
5th				
Total				

Response: As stated on page 9 of the application, all beds at the Applicant's facility are and will continue to be private beds.

Please provide documentation from the CMS that verifies the end of the LTACH bed moratorium at the end of 2012.

Response: CMS established a 3 year moratorium on the designation of new LTACHs or LTACH satellites, and on an increase of beds in an existing LTACH. The moratorium began on December 29, 2007, and was scheduled to end on December 28, 2010 (see *Supplemental CMS-1*). The moratorium allowed for limited exceptions for certain providers in very specific circumstances (see *Supplemental CMS-2*). Later (on July 23, 2010), the moratorium was extended to December 28, 2012 (see *Supplemental CMS-3*), when it is currently scheduled to expire by its terms unless there is further legislative action.

Legislation is under consideration in the United States Senate that would, if passed, reimpose the moratorium. While it is unlikely that this legislation will be passed before the moratorium expires on December 28, its passage may occur in 2013.

It has been stated that the "Applicant now has a physically and operationally freestanding building. Does this mean that the 25% threshold limit will not apply to the number of patients admitted from Baptist Hospital? When answering this question please explain the 25% threshold limit.

Response: While the Applicant operates in a freestanding building, the proximity of the Applicant to Baptist Hospital results in it being considered "co-located" with Baptist Hospital under the Medicare definition of "campus." Therefore, the 50% rule applies to patients referred to the Applicant from Baptist Hospital.

CMS realized decades ago that certain hospital patients did not fall with existing DRG categories, that these patients were much sicker and required much more intense and longer acute care, and would as a result stay in the hospital much longer than typical hospital patients. LTACHs could be set up as free-standing facilities, or as a "hospital within a hospital" which usually meant having the LTACH lease a wing, a floor, or more than one floor of an existing acute care hospital. In any event, the LTACH had to be a separately licensed and separately governed hospital. If set up within an existing hospital, that existing hospital was referred to as a "host" hospital. If located on the campus or close to the campus of that existing hospital, the LTACH was considered "co-located" as explained above.

When LTACHs were originally allowed under CMS rule, there were no restrictions on admissions. Over time, LTACHs were restricted on what percentage of their patients could be referred to them by their host hospital, and if that percentage was exceeded, the reimbursement for the patients over that percentage would be reduced. At one point, the percentage of patients from the host hospital could not exceed 75% of the LTACH's patients. Later, that host hospital percentage was reduced to 50%, where it now stands frozen for another year (until October, 2013).

The referenced "25% rule" applies to non-host hospitals. While host hospital admissions in excess of 50% of the LTACH's patients are reimbursed at a lesser amount, non-host hospital admissions in excess of 25% of the LTACH's patients are reimbursed at a lesser amount. The logic behind that distinction is the perception that host hospitals with LTACHs will "partner" to cycle the patient to the LTACH and then back to the host hospital when that patient no longer needs LTACH care, but might need some acute care prior to discharge. That same logic included the perception that an LTACH not associated ("co-located") with the referring non-host hospital might be inclined to keep a patient in the LTACH for a longer period of time than needed. Therefore, the reimbursement disincentive is greater for non-host hospital referrals.

Will the applicant facility be contracting any services from Baptist Hospital? Please discuss.

Response: Yes. As stated on page 50 of the application, the Applicant has contracts with: Seton Corporation (Baptist Hospital) for purchased services and laboratory services; Centennial Medical Center for purchased services, ancillaries, surgery and diagnostics; and Vanderbilt University Medical Center for purchased services, ancillaries, surgery and diagnostics. These contracts will not change with the approval of this application.

4. Section B, Item II.C.

Is the latest JCAHO survey really September 2001?

Response: I apologize for the typo. The Applicant had a JCAHO survey in 2011, and is currently JCAHO accredited until November 21, 2014. Please see Replacement Pages 13 and 21.

5. Section C, Need, Item 1.a. (Long Term Care Hospital Beds-A. Need 1.)

With the recent 10 bed addition, doesn't the applicant have 57 beds resulting in a total of 117 beds leaving a net need of 3 beds in 2012 and 6 beds in 2014?

Response: At the time of preparing this application up until the time the application was filed, the Applicant is/was licensed for 47 beds. Kindred Hospital is licensed for 60 beds. As a result, there are 107 licensed LTACH beds in Nashville, as stated in the application. The current need for LTACH beds is 120 beds in 2012, and 123 beds in 2014.

The application reported, in several responses, that the Applicant was going to apply for an additional 10 beds via the CON exemption for small hospitals. However, that licensure application has not yet been approved and the Applicant's licensed bed count has not changed. If licensure approves the additional 10 beds and those beds are surveyed and eventually licensed, there will be 117 LTACH beds in Nashville, with the formula need showing 3 additional beds currently and 6 additional beds by 2014.

6. **Section C, Need, Item 1.a. (Long Term Care Hospital Beds-A. Need 4.)**

Davidson County is in the Mid-Cumberland Community Service Area (CSA). It appears that you have not included all the counties that are in the CSA within your service area. You did not include Houston, Humphries, and Stewart Counties. Please provide 2011 patient origin for the applicant facility using the following chart.

Select Specialty Hospital – Nashville, Inc.
Total Patient Discharges
2011

County	2011 Patient Discharges	% of Total Discharges	Cumulative % Total
Davidson	101	21.44	21.44
Rutherford	35	7.43	29.87
Sumner	24	5.09	34.96
Wilson	24	5.09	40.05
Montgomery	20	4.25	44.30
Robertson	14	2.97	47.27
Williamson	14	2.97	50.24
Coffee	13	2.76	53.00
Dickson	13	2.76	55.76
Maury	13	2.76	58.52
Hickman	12	2.55	61.07
Warren	12	2.55	63.62
Franklin	11	2.33	65.95
Marshall	10	2.12	68.07
Madison	8	1.70	69.77
Macon	7	1.49	71.26
Bedford	7	1.49	72.75
Cheatham	7	1.49	74.24
Lincoln	7	1,49	75.73
Smith	7	1.49	77.22
Grundy	5	1.06	78.28
Washington	5	1.06	79.34
White	5	1.06	80.40
Carroll	4	0.85	81.25
Cumberland	4	0.85	82.10
DeKalb	4	0.85	82.95
Giles	4	0.85	83.80
Lawrence	4	0.85	84.65
Putnam	4	0.85	85.50
Benton	3	0.64	86.14
Houston	3	0.64	86.78
Humphreys	3	0.64	87.42

Lauderdale	3	0.64	88.06
Moore	3	0.64	88.70
Overton	3	0.64	89.34
Bradley	2	0.42	89.76
Hardeman	2	0.42	90.18
Johnson	2	0.42	90.60
Anderson	1	0.21	90.81
Carter	1	0.21	91.02
Clay	1	0.21	91.23
Cocke	1	0.21	91.44
Crockett	1	0.21	91.65
Decatur	1	0.21	91.86
Hamblin	1	0.21	92.07
Harden	1	0.21	92.28
Monroe	1	0.21	92.49
Morgan	1	0.21	92.70
Obion	1	0.21	92.91
Perry	1	0.21	93.12
Sequatchie	1	0.21	93.33
Sevier	1	0.21	93.54
Stewart	1	0.21	93.75
Van Buren	1	0.21	93.96
Wayne	1	0.21	94.17
TN Unknown	2	0.42	94.59
TN Subtotal	441	93.63	Rounding error
Other States	30	6.37	100.0
Grand Total	471	100.0	100.0

Source: Joint Annual Report, 2011

Response: The above chart is completed. Obviously, we serve those three counties. We felt we had to "draw the line" somewhere, and the counties originally submitted were all contiguous and accounted for in excess of 80% of our patient days, as shown above. The "% of Total Discharges" is for the entire facility (471 discharges), including out of state referrals. Also, the above chart shows the entire number of patient discharges, by county, for the Applicant in 2011.

Again, the service area counties that we submitted are contiguous, although there are several instances where patients come to us from well outside the stated service area on occasion. For exacting and very specific reporting purposes, the chart below shows the same data, but for just those contiguous counties that we submitted as being in our service area.

Select Specialty Hospital – Nashville, Inc.
Service Area Patient Discharges
2011

County	2011 Patient Discharges	% of Total Discharges	Cumulative % Total
Davidson	101	21.44	21.44
Rutherford	35	7.43	29.87
Sumner	24	5.09	34.96
Wilson	24	5.09	40.05
Montgomery	20	4.25	44.30
Robertson	14	2.97	47.27
Williamson	14	2.97	50.24
Coffee	13	2.76	53.00
Dickson	13	2.76	55.76
Maury	13	2.76	58.52
Hickman	12	2.55	61.07
Warren	12	2.55	63.62
Franklin	11	2.33	65.95
Marshall	10	2.12	68.07
Macon	7	1.49	69.56
Bedford	7	1.49	71.05
Cheatham	7	1.49	72.54
Lincoln	7	1.49	74.03
Smith	7	1.49	75.52
Grundy	5	1.06	76.58
White	5	1.06	77.64
Cumberland	4	0.85	78.49
DeKalb	4	0.85	79.34
Giles	4	0.85	80.19
Lawrence	4	0.85	81.04
Putnam	4	0.85	81.89
Moore	3	0.64	82.53
Overton	3	0.64	83.17
Clay	1	0.21	83.38
Van Buren	1	0.21	83.59
TN Subtotal	389	82.59	Rounding error

Source: Joint Annual Report, 2011

The counties of our service area provide in excess of 80% of our patients. Please see replacement page 30.

7. Section C, Need, Item 1.a. (Long Term Care Hospital Beds-B. Economic Feasibility 1.)

Please provide the same information for all general acute care hospitals in Davidson County.

Response: See chart below:

Patient Charges, Davidson County Hospitals

Facility	Average Gross Charges	Average Deductions	Average Net Charges
Baptist Hospital	$8,819.56	$5,912.64	$2,906.91
Metropolitan General	$10,034.45	$7,970.93	$2,063.52
St. Thomas Hospital	$12,665.09	$8,597.61	$4,067.48
Tristar Centennial Medical	$14,037.48	$10,712.66	$3,324.82
Tristar Skyline Medical	$16,217.80	$13,006.00	$3,211.80
Tristar Skyline Madison	$3,696.20	$2,842.11	$854.09
Tristar Southern Hills	$21,373.83	$16,821.64	$4,552.19
Tristar Summit Medical	$16,435.76	$12,657.10	$3,778.66
Vanderbilt University	$18,117.95	$12,026.60	$6,091.34

Source: Joint Annual Reports for Hospitals, 2011

8. **Section C, Need, Item 1.a. (Long Term Care Hospital Beds-A. Orderly Development. 1.)**

Please provide the actual average hours per patient per day of rehabilitation provided to the patients of the applicant facility for the most recent year available. Please also do the same with nursing hours.

Response: Please see *Supplemental Specific Criteria OD.1*, containing four charts: two charts showing therapy hours per patient (one for CY2011 and one for YTD 2CY012); and two charts showing nursing hours per patient (one for CY2011 and one for YTD CY2012).

Please note that the Applicant averaged providing 1.53 hours of rehab per patient day (within the guidelines for LTACHs), and 9.78 hours of nursing care per patient day (well above the guidelines for LTACHs).

Utilizing projected staffing patterns and projected patient utilization, please provide the calculations that indicate that patients will be receiving 6-8 hours per patient day of nursing and therapeutic services.

Response: *Supplemental Specific Criteria OD.1*, referenced above, shows historical data in this regard, and all noted services have been provided within the guidelines. Our patient population will not change as a result of this addition, and we will continue to comply with these guidelines.

9. Section C, Need, Item 1.a. (Long Term Care Hospital Beds-A. Orderly Development. 3.)

Please use the information in your response to Orderly Development Criterion 1 to address this criterion.

Response: Our current caseload (*Supplemental Specific Criteria OD.1*) indicates that in CY2011 we averaged 1.53 hours of rehab per patient, and our average CY2012 year to date average for rehab is 1.63 hours per patient. Nursing hours per patient averaged 9.78 hours in CY2011, and our CY2012 year to date average is 9.95 hours. We do not anticipate any change.

10. Section C, Need, Item 1.a. (Long Term Care Hospital Beds-A. Orderly Development. 4.)

As was noted earlier the applicant has not included Stewart, Houston, and Humphries Counties of the Mid-Cumberland CSA in the proposed service area. The applicant also has included counties from the Upper Cumberland CSA, the Southeast CSA, and the South Central CSA.

Response: As stated earlier, we serve those three counties. We felt we had to "draw the line" somewhere, and the counties originally submitted were all contiguous and accounted for in excess of 80% of our patient days.

11. Section C, Need, Item 3.

Please utilize the patient origin chart used in addressing the Long Term Care Hospital Bed Criteria and Standards to justify the declaration of the service area counties.

Response: Again, the service area counties that we submitted were contiguous, as a map showing the absolute top certain percentage of our patients as being from isolated counties, on occasion. For exacting and very specific reporting purposes, the chart below shows the same data, but for just those contiguous counties that we submitted as being in our service area.

Select Specialty Hospital – Nashville, Inc.
Service Area Patient Discharges
2011

County	2011 Patient Discharges	% of Total Discharges	Cumulative % Total
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Montgomery	20	4.25	44.30
Robertson	14	2.97	47.27
Williamson	14	2.97	50.24
Coffee	13	2.76	53.00
Dickson	13	2.76	55.76
Maury	13	2.76	58.52
Hickman	12	2.55	61.07
Warren	12	2.55	63.62
Franklin	11	2.33	65.95
Marshall	10	2.12	68.07
Macon	7	1.49	69.56
Bedford	7	1.49	71.05
Cheatham	7	1.49	72.54
Lincoln	7	1.49	74.03
Smith	7	1.49	75.52
Grundy	5	1.06	76.58
White	5	1.06	77.64
Cumberland	4	0.85	78.49
DeKalb	4	0.85	79.34
Giles	4	0.85	80.19
Lawrence	4	0.85	81.04
Putnam	4	0.85	81.89
Moore	3	0.64	82.53
Overton	3	0.64	83.17
Clay	1	0.21	83.38
Van Buren	1	0.21	83.59
TN Subtotal	389	82.59	Rounding error

Source: Joint Annual Report, 2011

The counties of our service area provide in excess of 80% of our patients. Please see replacement page 30.

12. Section C, Need, Item 4.A.

Your response to this item is noted but demographic information for all primary service area counties should be presented. Please use the following chart to provide this information.

Response: Please see following requested chart, which has been completed:

A	B	C	D	E	F	G	H	I	J	K		M	N
Bedford	48083	49718	3.4%	5657	5970	5.5%	12.0	34.5	38550	10,562	22.0	10434	21.7
Cannon	14269	14550	2.0%	2171	2255	3.9%	15.5	39.2	38733	2,791	19.6	1955	13.7
Cheatham	42222	43330	2.6%	4657	4846	4.1%	11.2	38.1	52585	6083	14.4	3927	9.3
Clay	8201	8256	0.7%	1464	1534	4.8%	18.6	42.4	32106	1992	24.3	1534	18.7
Coffee	54707	55790	2.0%	8870	9283	4.7%	16.6	38.7	40078	11065	20.2	9573	17.5
Cumberland	55798	56879	1.9%	14386	15276	6.2%	26.9	43.7	36813	10327	18.5	8816	15.8
Davidson	602257	609905	1.3%	70698	74356	5.2%	12.2	36.8	45668	119510	19.8	104190	17.3
DeKalb	19366	19710	0.1%	2914	3038	4.3%	15.4	38.6	34863	5354	27.6	3718	19.2
Dickson	49744	50860	2.2%	6570	6974	6.1%	13.7	37.2	44554	8891	17.9	6964	14.0
Franklin	43112	43763	1.5%	7064	7372	4.4%	16.8	39.6	40983	6418	14.9	5691	13.2
Giles	30076	30290	0.7%	4890	5113	4.6%	16.9	40.9	37860	5422	18.0	5143	17.1
Grundy	14925	15070	1.0%	2521	2643	4.8%	17.5	38.1	26529	4593	30.8	4701	31.5
Hickman	26100	26881	3.0%	3501	3689	5.4%	13.7	38.1	42075	5376	20.6	4176	16.0
Jackson	11419	11581	1.4%	1995	2122	6.4%	18.3	41.5	32722	2592	22.7	2478	21.7
Lawrence	42709	43330	1.5%	6931	7227	4.3%	16.7	38.5	34985	8658	20.3	7431	17.4
Lewis	12208	12412	1.7%	1862	1983	6.5%	16.0	38.8	35000	2636	21.6	2234	18.3
Lincoln	34084	34548	1.4%	5733	5994	4.6%	17.3	40.4	42962	6607	19.4	5419	15.9
Macon	23208	23706	2.1%	3083	3251	5.4%	13.7	37.0	33087	5796	25.0	5593	24.1
Marshall	30958	31640	2.2%	3963	4189	5.7%	13.2	37.5	40435	6629	21.4	5077	16.4
Maury	84148	86179	2.4%	10660	11440	6.9%	13.3	36.9	46278	15047	17.9	11192	13.3
Montgomery	159209	163381	2.6%	14481	15497	7.0%	9.5	33.1	48930	23776	14.9	23245	14.6
Moore	6372	6497	2.0%	1165	1241	6.5%	19.1	41.5	44433	885	13.9	924	14.5
Overton	21377	21567	0.9%	3765	3941	4.7%	18.3	40.1	34347	4427	20.7	4104	19.2
Putnam	72489	73942	2.0%	11184	11907	6.5%	16.1	35.0	35185	14258	19.7	16310	22.5
Robertson	68589	70822	3.3%	8017	8654	7.9%	12.2	36.0	50820	11452	16.7	8231	12.0
Rutherford	256765	266111	3.6%	23555	26173	11.1%	9.8	32.2	53770	36715	14.3	32609	12.7
Smith	20104	20565	2.3%	2636	2787	5.7%	13.6	38.2	43200	3813	19.0	3558	17.7
Sumner	162422	168801	3.9%	20947	22553	7.7%	13.4	37.7	54916	22900	14.1	16405	10.1
Trousdale	8287	8443	1.9%	1234	1316	6.6%	15.6	39.0	44205	1637	19.8	804	9.7
Van Buren	5511	5538	0.5%	877	923	5.2%	16.7	40.2	29087	1203	21.8	1356	24.6
Warren	42263	43042	1.8%	6344	6670	5.1%	15.5	38.2	34946	9230	21.8	8917	21.1
White	25521	25896	1.5%	4354	4575	5.1%	17.7	39.7	33665	5796	22.7	4875	19.1
Williamson	184323	192419	4.4%	17631	19604	11.2%	10.2	37.4	87832	8690	4.7	9585	5.2
Wilson	114437	117941	3.1%	13646	14839	8.7%	12.6	37.3	60678	14092	12.3	8627	7.6
Service Area	2357263	2453363	4.1%	299426	319234	6.6%	13.0	n/a	n/a	405223	17.2	349796	14.8
Tennessee	6361070	6470546	1.7%	878496	931676	6.1%	14.4	37.4	43314	1206538	19.0	1049577	16.5

Legend:

A = County
B = Population, 2012 (TDOH, Office of Policy, Planning and Assessment, Div of Health Statistics)
C = Population, 2014 (TDOH, Office of Policy, Planning and Assessment, Div of Health Statistics)
D = Total Population Change, 2012 – 2014 (Math Computation)
E = Age 65 Population, 2012 (TDOH, Office of Policy, Planning and Assessment, Div of Health Statistics)
F = Age 65 Population, 2014 (TDOH, Office of Policy, Planning and Assessment, Div of Health Statistics)
G = Age 65 Population Change, 2012 – 2014 (Math Computation)
H = Age 65 Pop as % of Total Pop, 2014 (Math Computation)
I = Median Age (as of August 4, 2010, No WhiteWash!, Sullivan County, State of TN, Answers.com)
J = Median Household Income (US Census Bureau, Quickfacts, 2006 – 2010)
K = TennCare Enrollees, as of March 15, 2012 (latest data on State website)
L = TennCare Enrollees as % of Total Pop (2012 Enrollees as a % of 2012 population)
M = Persons Below Poverty Level (Math Computation, Quickfact Percentage times 2012 Population)
N = Persons Below Poverty Level as % of Total Pop (US Census Bureau, Quickfacts, 2006-2010)

13. Section C, Need, Item 5.

Please complete the following chart:

Facility	Beds	2009 Admits	2009 Pat. Days	2009 ALOS	2009 %Occ.	2010 Admits	2010 Pat. Days	2010 ALOS	2010 %Occ.	2011 Admits	2011 Pat. Days	2011 ALOS	2011 %Occ.
Kindred	60	296	9548	32.3	43.6	284	8466	29.8	38.7	296	8505	28.7	38.8
Select	47	475	16253	34.2	94.7	459	16007	34.9	93.3	471	15876	33.7	92.6
TOTAL	107	771	25801	33.5	66.1	743	24473	32.9	62.7	767	24381	31.8	62.4

Response: The above chart is completed. While researching the Joint Annual Reports, it was discovered that an error was reported in the original application. The 2011 Kindred JAR shows 8,505 patient days, and that number was originally reported as 6,505 patient days. This correction affects several pages in the application where occupancy rates were reported, which pages have all been corrected. We have updated every page where that occupancy rate was reported. Please see replacement pages 9, 11, 18, 19, 33 and 46, and *Supplemental C.Need.5*.

PROJECTED DATA CHART – 70 beds

Give information for the two (2) years following the completion of this project. The fiscal year begins in January (month).

		Yr-1	Yr-2
A.	Utilization/Occupancy	90.0%	92.86%
	Revenue from Services to Patients		
	1. Inpatient Services	**78,006,403**	**82,585,945**
	2. Outpatient Services		
	3. Emergency Services		
	4. Other Operating Revenue (Specify) _____		
	Gross Operating Revenue	**78,006,403**	**82,585,945**
C.	Deductions from Operating Revenue		
	1. Contractual Adjustments	40,021,423	42,883,090
	2. Provision for Charity Care		
	3. Provision for Bad Debt	379,850	397,029
	Total Deductions	**40,401,273**	**43,280,119**
	NET OPERATING REVENUE	**37,605,130**	**39,305,826**
D.	Operating Expenses		
	1. Salaries and Wages	17,548,366	18,255,412
	2. Physician's Salaries and Wages (Contracted)		
	3. Supplies	2,406,853	2,515,083
	4 . Taxes	2,480,897	2,658,290
	5 . Depreciation	1,036,270	1,050,556
	6. Rent	1,048,750	1,069,725
	7. Interest, other than Capital		
	8. Management Fees:		
	a. Fees to Affiliates	2,256,308	2,358,351
	b. Fees to Non - Affiliates		
	9. Other Expenses (Specify) See Attached Chart	6,779,907	7,061,199
	Total Operating Expenses	**33,557,351**	**34,968,615**
E.	Other Revenue (Expenses)-Net (Specify)		
	NET OPERATING INCOME (LOSS)	**4,047,779**	**4,337,211**
F.	Capital Expenditures		
	1. Retirement of Principal		
	2. Interest (on Letter of Credit)		
	Total Capital Expenditure		
	NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES	**4,047,779**	**4,337,211**

SUPPLEMENTAL

OTHER EXPENSES

Other Expenses	PROJECTED 13 BEDS		PROJECTED 57 BEDS		PROJECTED 70 BEDS	
	Year 1	Year 2	Year 1	Year 2	Year 1	Year 2
Insurance	32,429	40,114	224,940	309,434	257,369	349,548
Utilities	132,132	166,567	833,448	8,385	965,580	174,952
Legal & Accounting	9,367	11,587	64,972	89,378	74,339	100,965
Repairs & Maintenance	54,956	67,980	381,197	524,386	436,153	592,366
Travel/Meals & Entertainment	44,580	55,145	309,226	425,380	353,806	480,525
Contracted Physicians	113,611	140,534	788,051	1,084,067	901,662	1,224,601
Ancillary Patient Services	409,684	507,353	2,458,347	2,490,895	2,868,031	2,998,248
Equipment Rentals	58,399	60,175	306,593	322,000	364,992	382,175
Corporate Services	70,305	86,966	487,670	670,853	557,975	757,819
Total Other (D.9)	925,463	1,136,421	5,854,444	5,924,778	6,779,907	7,061,199

14. Section C, Need, Item 6.

Please also complete the following chart:

Facility	Beds	Year 1 Admits	Year 1 Pt Days	Year 1 ALOS	Year 1 % Occ	Year 2 Admits	Year 2 Pat. Days	Year 2 ALOS	Year 2 % Occ
Select	13	89	3,285	36.91	69.23	108	4,015	37.18	84.62
Select	57	532	19,710	37.05	94.74	532	19,710	37.05	94.74
Select	70	621	22,995	37.03	90.00	640	23,725	37.07	92.86

Response: The above chart is completed.

15. Section C. Economic Feasibility Item 1 (Project Cost Chart)

A) Please provide documentation from a licensed architect or construction professional that provides:

1) a general description of the project,

2) his/her estimate of the cost to construct the project to provide a physical environment, according to applicable federal, state and local construction codes, standards, specifications, and requirements and

3) attesting that the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the new 2010 AIA Guidelines for Design and Construction of Hospital and Health Care Facilities

Response: Please see *Supplemental C.EF.1.*

16. Section C, Economic Feasibility, Item 4. (Historical Data Chart)

There appears to be some calculation errors in the 2009 column. Please make the necessary corrections and submit a revised Historical Data Chart.

Response: My apologies. Please see replacement page 41.

What is included in Ancillary Patient Services?

Response: "Ancillary Patient Services" will include costs of the LTACH for payment of services required of our patients but not provided by the LTACH itself. For example, the LTACH will not have its own MRI, so if a patient needs such a scan, the LTACH will have to pay a local hospital for such services. The same can be said for lab work, pharmacy, surgery, dietary, housekeeping and any other services not provided directly by the LTACH. As stated in the original application,

> "A freestanding LTACH may or may not be physically located close to a tertiary hospital, but it is generally agreed that patient care is improved when the LTACH is close to referring facilities. Some support ancillary services may well be contracted by the LTACH to be provided by close referring facilities. Some support services, such as housekeeping, may be obtained on contract from close referring hospitals, or from outside vendors, in order to hold down capital and operating costs. In keeping with State Health Plan review criteria, costly duplication of existing hospital services are avoided to the maximum extent consistent with licensure requirements."
>
> *...CON Application, page 14*

17. Section C, Economic Feasibility, Item 4. (Projected Data Chart)

Should there be some rent allocated to the 13 beds?

Response: No. The entire hospital is already owned by an affiliate of the Applicant, as reported. The approval of this project will not affect the lease payment, as the entire facility is already being leased.

What is included in Ancillary Patient Services?

Response: "Ancillary Patient Services" will include costs of the LTACH for payment of services required of our patients but not provided by the LTACH itself. For example, the LTACH will not have its own MRI, so if a patient needs such a scan, the LTACH will have to pay a local hospital for such services. The same can be said for lab work, pharmacy, surgery, dietary, housekeeping and any other services not provided directly by the LTACH. As stated in the original application,

> "A freestanding LTACH may or may not be physically located close to a tertiary hospital, but it is generally agreed that patient care is improved when the LTACH is close to referring facilities. Some support ancillary services may well be contracted by the LTACH to be provided by close referring facilities. Some support services, such as housekeeping, may be obtained on contract from close referring hospitals, or from outside vendors, in order to hold down capital and operating costs. In keeping with State Health Plan review criteria, costly duplication of existing hospital services are avoided to the maximum extent consistent with licensure requirements."
>
> *...CON Application, page 14*

Please provide a Projected Data Chart for the 70 bed hospital.

Response: Please see attached *Supplemental Projected Data Chart – 70 beds* (2 pages, including new "Other Expenses" chart).

18. Section C, Economic Feasibility, Item 6.B.

Please compare the proposed charges of the project to the current Medicare allowable fee schedule, if available.

Response: The Applicant does not bill on a Medicare fee schedule basis. We operate under an LTACH prospective payment system (see below). Also attached (*Supplemental C.EF.6.B*) is a list of the top 10 DRGs at the Applicant's facility during CY2011.

Are LTACHs now on a prospective payment system? Please discuss.

Response: Yes (see link to CMS LTSCH PPS information page as follows: http://www.cms.gov/Medicare/Medicare-Fee-for-Service-Payment/LongTermCareHospitalPPS/index.html?redirect=/LongTermCareHospitalPPS/01_Overview.asp). An LTACH full DRG payment is calculated by taking the Unadjusted Standard Federal Prospective Payment Rate (Published annually by CMS) and adjusting the amount for the CBSA (Core Based Statistical Area – Defined by CMS) wage index (Published annually by CMS) to arrive at the Adjusted Federal Rate Amount. The wage index is applied to the Labor-related portion of the Federal Rate based on a Labor-related percentage that is published annually by CMS. The Adjusted Federal Rate Amount is then multiplied by the relative weight (Published annually by CMS) of the DRG assigned to the patient to calculate the Final Adjusted Federal Prospective Payment (Full LTACH DRG Payment).

19. Section C, Economic Feasibility, Item 10.

Please provide the most recent audited financial statements for Select Medical Corporation.

Response: Please see *Supplemental C.EF.10*, the audited financials section of the 2011 Annual Report for Select Medical Corporation.

21. Section C, Economic Feasibility, Item 11.

Has the applicant considered the alternative of delaying this project to evaluate the utilization of the recently added ten beds allowed by the "under 100 hospital bed" exemption and then add ten beds if needed utilizing the exemption in the future.

Response: Yes, but that alternative was discarded. First, the bed need exists now.

Second, CMS established a 3 year moratorium on the designation of new LTACHs or LTACH satellites, and on an increase of beds in an existing LTACH. The moratorium began on December 29, 2007, and was scheduled to end on December 28, 2010 (see *Supplemental CMS-1*). The moratorium allowed for limited exceptions for certain providers in very specific circumstances (see *Supplemental CMS-2*). Later (on July 23, 2010), the moratorium was extended to December 28, 2012 (see *Supplemental CMS-3*).

The end result of all of these regulatory changes regarding CMS' certification of LTACHs is that since December 29, 2007, neither new hospitals nor additions to existing hospitals were allowed unless a facility fell into a very specific set of circumstances resulting in an exception to the moratorium. Basically, both the addition and/or expansion of LTACHs in the United States were shut down. Had any provider attempted to pursue a new LTACH or add to an existing LTACH, that facility or addition would not be certified by CMS. Therefore, it made no sense to apply for a CON for an LTACH so long as the moratorium was/is in effect. That moratorium is scheduled to expire on December 28, 2012.

Legislation is under consideration in the United States Senate that would, if passed, reimpose the moratorium. While it is unlikely that this legislation will be passed before the moratorium expires on December 28, its passage may occur in 2013.

Therefore, the Applicant decided to file the instant CON at this time while there appears to be a window of opportunity in having needed new LTACH beds certified by CMS. If the moratorium is reimposed in 2013, that would prevent us from adding another 10 beds.

SUPPLEMENTAL- # 1
October 25, 2012
12:13pm

22. Section C, Orderly Development, Item 7.

Please provide documentation from the Department of Health regarding approval of the latest Plan of Correction.

Response: My apologies. We originally submitted an incorrect survey. Please see *Supplemental C.OD.7.d.*

23. Proof of Publication

Your response to this item is noted. We will await submission of the Proof of Publication.

Response: Please see attached.

Rundate: 10/24/2012
5:07:19 PM

ELARPT

Hospital: Nashville Facility #: 420
Expanded Labor Analysis Monthly Report - Therapy
Calendar Year: 2011

PPD Breakdown	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Patients Days	1,286.00	1,248.00	1,447.00	1,363.00	1,436.00	1,352.00	1,397.00	1,366.00	1,336.00	1,390.00	1,346.00	1,437.00	16,404.00
Total PT Hours PPD (2)	.72	.67	.61	.58	.60	.60	.63	.72	.79	.70	.75	.73	.67
Total OT Hours PPD (2)	.51	.51	.51	.55	.49	.53	.48	.48	.54	.53	.49	.47	.51
Total ST Hours PPD (2)	.29	.32	.29	.26	.22	.23	.22	.21	.31	.26	.30	.26	.26
Total RT Hours PPD (2)	1.98	2.30	2.22	2.34	2.38	2.47	2.36	2.48	2.40	2.22	1.97	2.45	2.30
Total Agency Hours PPD (3)	.02	.08	.10	.15	.12	.14	.12	.14	.01	.05	.05		.08
Total Therapy Hours PPD (1)	3.52	3.88	3.74	3.87	3.80	3.97	3.81	4.04	4.04	3.76	3.55	3.92	3.83
Rehab Only Hours PPD	1.54	1.58	1.52	1.53	1.42	1.50	1.45	1.56	1.64	1.54	1.58	1.47	1.53

Supplemental Specific Criteria ODI
October 25, 2012
12:13pm

SUPPLEMENTAL - # 1

Rundate: 10/24/2012 5:15:10 PM

ELARPT

Hospital: Nashville Facility #: 420
Expanded Labor Analysis Monthly Report - Therapy
Calendar Year: 2012

PPD Breakdown	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Patients Days	1,423.00	1,351.00	1,404.00	1,361.00	1,407.00	1,347.00	1,325.00	1,354.00	1,370.00	1,023.00			13,365.00
Total PT Hours PPD (2)	.66	.60	.68	.68	.68	.67	.68	.82	.74	.80			.70
Total OT Hours PPD (2)	.54	.56	.56	.55	.58	.48	.50	.55	.47	.51			.53
Total ST Hours PPD (2)	.29	.28	.29	.27	.29	.27	.29	.32	.24	.31			.28
Total RT Hours PPD (2)	2.48	2.49	2.21	2.36	2.33	2.30	2.51	2.59	2.34	2.20			2.38
Total Agency Hours PPD (3)	.12	.22	.18	.11	.13	.15	.14	.05		.04			.12
Total Therapy Hours PPD (1)	4.09	4.14	3.93	3.97	4.01	3.87	4.12	4.33	3.80	3.86			4.01
Rehab Only Hours PPD	1.61	1.65	1.72	1.61	1.68	1.57	1.61	1.74	1.46	1.66			1.63

SUPPLEMENTAL- # 1
October 25, 2012
12:13pm

5:11:40 PM ELARPT

Hospital: Nashville Facility #: 420
Expanded Labor Analysis Monthly Report - Nursing
Calendar Year: 2011

PPD Breakdown	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Patients Days	1,286.00	1,248.00	1,447.00	1,363.00	1,436.00	1,352.00	1,397.00	1,366.00	1,336.00	1,390.00	1,346.00	1,437.00	16,404.00
Total RN Hours PPD (2)	4.91	4.85	4.69	4.80	4.82	4.69	5.20	5.26	5.13	5.36	5.20	5.59	5.04
Total LPN Hours PPD (2)	1.16	1.02	1.12	1.00	1.08	1.14	1.02	.86	.90	.95	.90	.98	1.01
Total CNA Hours PPD (2)	3.84	3.73	3.68	3.52	3.53	3.70	3.93	3.88	3.78	3.70	3.75	3.65	3.72
Total Agency Hours PPD (3)													
Total Nursing Hours PPD (1)	9.92	9.60	9.49	9.33	9.42	9.53	10.16	9.99	9.81	10.01	9.85	10.23	9.78

SUPPLEMENTAL- # 1
October 25, 2012
12:13pm

Rundate: 10/24/2012 5:17:46 PM

ELARPT

Hospital: Nashville Facility #: 420
Expanded Labor Analysis Monthly Report - Nursing
Calendar Year: 2012

PPD Breakdown	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
Patients Days	1,423.00	1,351.00	1,404.00	1,361.00	1,407.00	1,347.00	1,325.00	1,354.00	1,370.00	1,023.00			13,365.00
Total RN Hours PPD (2)	5.46	5.14	5.05	5.24	5.10	5.00	5.33	5.33	5.11	5.65			5.23
Total LPN Hours PPD (2)	.96	.85	.93	.75	.80	.84	.93	.87	.80	.75			.85
Total CNA Hours PPD (2)	3.47	3.42	3.59	3.85	3.93	4.04	4.15	4.19	4.06	4.11			3.87
Total Agency Hours PPD (3)													
Total Nursing Hours PPD (1)	9.89	9.41	9.57	9.83	9.83	9.89	10.41	10.39	9.97	10.52			9.95

SUPPLEMENTAL- # 1
October 25, 2012
12:13pm

Service Area Occ. Rate

Supplemental C.Need.5

SUPPLEMENTAL- # 1

October 25, 2012
12:13pm

2011

ID #	Hospitals	Pt days	# of Beds	Occ Rate
19754	Kindred Hospital - Nashville	8,505	60	38.8%
19784	Select Specialty Hospital - Nashville	15,876	47	92.6%
	Total	24,381	107	62.4%

2010

ID #	Hospitals	Pt days	# of Beds	Occ Rate
19754	Kindred Hospital - Nashville	8,466	60	38.7%
19784	Select Specialty Hospital - Nashville	16,007	47	93.3%
	Total	24,473	107	62.7%

2009

ID #	Hospitals	Pt days	# of Beds	Occ Rate
19754	Kindred Hospital - Nashville	9,548	60	43.6%
19784	Select Specialty Hospital - Nashville	16,253	47	94.7%
	Total	25,801	107	66.1%

2008

ID #	Hospitals	Pt days	# of Beds	Occ Rate
19754	Kindred Hospital - Nashville	10,504	60	48.0%
19784	Select Specialty Hospital - Nashville	16,024	47	93.4%
	Total	26,528	107	67.9%

Sourse: 2008, 2009, 2010 & 2011 Provisional JAR Schedule F - Beds (Licensed) & Schedule G-Untilization

BRASFIELD & GORRIE
GENERAL CONTRACTORS

October 12, 2012

Melanie Hill, Executive Director
Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

Re: Select Specialty Hospital – Nashville, Inc.
Addition of Beds

Dear Ms. Hill:

I have reviewed the construction costs for the referenced project, and believe that $3,477,986 is a sufficient estimate to complete this renovation and build-out project. Further, this estimate has been prepared taking into account that the project will be completed to provide a physical environment compliant with all applicable federal, state and local construction codes, standards, specificiations and requirements, and that the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the new 2010 AIA Guidelines for Design and Contrustion of Health Care Facilities.

Sincerely,

Ben Gambrel
Senior Project Manager

c: Graham Baker

BRASFIELD AND GORRIE, LLC
2636 Elm Hill Pike, Suite 200, Nashville, Tennessee 37214
P: 615.313.2900 F: 615.313.2901 W: BrasfieldGorrie.com

SUPPLEMENTAL- # 1
October 25, 2012
12:13pm

OTHER EXPENSES

Other Expenses	PROJECTED 13 BEDS		PROJECTED 57 BEDS		PROJECTED 70 BEDS	
	Year 2	Year 1	Year 1	Year 1	Year 2	Year 2
Insurance	40,114	224,940	257,369	32,429	309,434	349,548
Utilities	166,567	833,448	965,580	132,132	8,385	174,952
Legal & Accounting	11,587	64,972	74,339	9,367	89,378	100,965
Repairs & Maintenance	67,980	381,197	436,153	54,956	524,386	592,366
Travel/Meals & Entertainment	55,145	309,226	353,806	44,580	425,380	480,525
Contracted Physicians	140,534	788,051	901,662	113,611	1,084,067	1,224,601
Ancillary Patient Services	507,353	2,458,347	2,868,031	409,684	2,490,895	2,998,248
Equipment Rentals	60,175	306,593	364,992	58,399	322,000	382,175
Corporate Services	86,966	487,670	557,975	70,305	670,853	757,819
Total Other (D.9)	1,136,421	5,854,444	6,779,907	925,463	5,924,778	7,061,199

2011 Top 10 DRGs Select Specialty Hospital - Nashville

Rank	DRG	MS-DRG Description	Volume	Relative Weight	Mediare Average LOS	Inlier LoS	Full DRG Payment	Per Diem Average
1	207	Respiratory System Diagnosis with Ventilator Support 90+ Hours	84	2.0242	33.1	27.6	77,645.29	2,345.78
2	189	Pulmonary Edema & Respiratory Failure	45	0.9295	22.6	18.8	35,654.23	1,577.62
3	208	Respiratory System Diagnosis with Ventilator Support <90 Hours	10	1.0987	22.2	18.5	42,144.49	1,898.40
4	592	Skin Ulcers with MCC	8	0.851	25.9	21.6	32,643.09	1,260.35
5	166	Other Respiratory System O.R. Procedures with MCC	8	2.4191	41.3	34.4	92,793.06	2,246.81
6	871	Septicemia or Severe Sepsis without Mechanical Ventilation 96+ Hours with MCC	7	0.8618	23.0	19.2	33,057.36	1,437.28
7	949	Aftercare with CC/MCC	7	0.7171	21.7	18.1	27,506.88	1,267.60
8	177	Respiratory Infections & Inflammations with MCC	7	0.8774	22.8	19.0	33,655.75	1,476.13
9	559	Aftercare, Musculoskeletal System & Connective Tissue with MCC	6	0.8957	26.6	22.2	34,357.71	1,291.64
10	862	Postoperative & Post-Traumatic Infections with MCC	6	0.9954	25.3	21.1	38,182.06	1,509.17

SUPPLEMENTAL - # 1
Supplemental C.E.F. 6.B.
October 25, 2012
12:13pm

2012 OCT 25 PM 12:38

STATE OF TENNESSEE
DEPARTMENT OF HEALTH
WEST TENNESSEE HEALTH CARE FACILITIES
781-B AIRWAYS BOULEVARD
JACKSON, TENNESSEE 38301-3203

May 29, 2009

COPY

Mr. Tim Stinson, CEO/Administrator
Select Specialty Hospital
2000 Hayes Street
Nashville, TN 37203

RE: Licensure Survey

Dear Mr. Stinson:

We are pleased to advise you that no deficiencies were cited as a result of the licensure survey completed at your facility on **May 18, 2009**. The attached form is for your files.

If this office may be of any assistance to you, please do not hesitate to call (731) 421-5100.

Sincerely,

P. Diane Carter /tjw

P. Diane Carter, RN, LNCC
Public Health Nurse Consultant 2

PDC/TJW

Enclosure

STATEMENT OF DEFICIENCIES AND PLAN OF CORRECTION	(X1) PROVIDER/SUPPLIER/CLIA IDENTIFICATION NUMBER:	(X2) MULTIPLE CONSTRUCTION	(X3) DATE SURVEY COMPLETED
	TNP531144	A. BUILDING _____ B. WING _____	05/18/2009

NAME OF PROVIDER OR SUPPLIER	STREET ADDRESS, CITY, STATE, ZIP CODE
SELECT SPECIALTY HOSPITAL-NASHVILLE	2000 HAYES STREET NASHVILLE, TN 37203

(X4) ID PREFIX TAG	SUMMARY STATEMENT OF DEFICIENCIES (EACH DEFICIENCY MUST BE PRECEDED BY FULL REGULATORY OR LSC IDENTIFYING INFORMATION)	ID PREFIX TAG	PROVIDER'S PLAN OF CORRECTION (EACH CORRECTIVE ACTION SHOULD BE CROSS-REFERENCED TO THE APPROPRIATE DEFICIENCY)	(X5) COMPLETE DATE
H 002	1200-8-1 No Deficiencies A state licensure survey was completed on May 18, 2009. The facility was found to be in compliance with Standards for Hospitals, Chapter 1200-08-01.	H 002		

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SUPPLEMENTAL-2

Select Specialty Hosp.-Nashville, Inc.

CN1210-053

SUPPLEMENTAL

AFFIDAVIT

2012 OCT 30 AM 10:11

STATE OF TENNESSEE
COUNTY OF DAVIDSON

NAME OF FACILITY: Select Specialty Hospital-Nashville, Inc. (CN1210-053)

I, E. Graham Baker, Jr., after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete to the best of my knowledge, information and belief.

E. Graham Baker, Jr. Attorney at Law
Signature/Title

Sworn to and subscribed before me, a Notary Public, this 30th day of October, 2012; witness my hand at office in the County of Davidson, State of Tennessee.

Nadean Poteet
NOTARY PUBLIC

NADEAN E. POTEET
STATE OF TENNESSEE
NOTARY PUBLIC
DAVIDSON COUNTY

My Commission expires May 6, 2013

1. Section C, Need, Item 1.a. (Long Term Care Hospital Beds-A. Need 4.)

Has the applicant overstated its service area? Counties where the applicant had none or one patient from in 2011 include Cannon, Clay, Jackson, Lewis, Trousdale, and Van Buren. Please discuss.

Response: No. We do not feel we have "overstated" our service area. As stated in the first set of Supplemental Responses:

> "We felt we had to "draw the line" somewhere, and the counties originally submitted were all contiguous and accounted for in excess of 80% of our patient days, as shown above."

You are encouraged again to look at the map (*Attachment C.Need.3*). Please note, as stated several times, these counties are contiguous. We have stated that patients from counties outside the stated service area have been patients at our hospital. However, we have also repeatedly stated that patients from within the boundaries of the map, as designated, have amounted to in excess of 80% of the patients that we traditionally see.

Specifically, addressing the mentioned counties of evident concern:

Cannon County is completely surrounded by counties of patient origin for our hospital;
Clay County is surrounded by counties of patient origin for our hospital;
Jackson County is completely surrounded by counties of patient origin for our hospital;
Lewis County is completely surrounded by counties of patient origin for our hospital;
Trousdale County is completely surrounded by counties of patient origin for our hospital. and
Van Buren County is surrounded by counties of patient origin for our hospital.

Had we not included any of those counties, we would have been asked why, as they are all contiguous to and surrounded by counties of patient origin.

Further, these counties are evidently in our CSA. In the first set of Supplemental Questions, we were advised that we were supposed to include <u>all</u> counties in our CSA, and were challenged as to why we did NOT include certain counties in our CSA. We responded that we did, in fact, serve those counties, but stopped "drawing the service area" map when we had exceeded 80% of our patient referrals (normally, considered sufficient to establish a service area). Now, this question challenges the Applicant as to why we DID include certain counties in the same CSA. We included them because they are contiguous to and surrounded by counties which "supply" in excess of 80% of our patients, and, as previously instructed by HSDA staff, are in our CSA.

2. Section C, Economic Feasibility, Item 4. (Projected Data Chart-70 beds)

The occupancy data here does not match with the occupancy data provided on page 20 of the supplemental response.

The "Other Expense" Chart does not match up with the Projected Data Charts provided.

Please make the necessary corrections noted above and submit revised charts.

Response: Please see attached new *Supplemental Projected Data Chart – 70 beds* (2 pages, including new "Other Expenses" chart).

3. Section C, Economic Feasibility, Item 10.

Cash and cash equivalents for Select Medical Corporation declined from $83,680,000 in 2009 to $4,365,000 in 2010. Please explain the reasons for such a large decline.

Response: At the end of 2009, Select Medical Corporation had just completed its initial public offering, had no borrowings under its revolving credit facility, and was accumulating cash instead of paying down longer term liabilities. The company was accumulating cash in 2009 and 2010 because it had several acquisition targets it was contemplating, and wanted to remain conservative with its cash at that point. It also had immaterial current debt. By the end of 2010, the company completed its acquisition of Regency Hospital Company for $177M in cash consideration. It used cash on hand and borrowings under its revolving credit facility to finance the acquisition. The company drew $25M from its revolving credit account ($300M capacity) at the end of 2010, and any and all excess cash was used to reduce debt on the revolver to limit its interest expense. As a result, the company's cash and cash equivalents were greatly reduced by the end of 2010.

2012 OCT 10 AM 11:00

LETTER OF INTENT
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY

The Publication of Intent is to be published in the *The Tennessean* which is a newspaper of general
(Name of Newspaper)

circulation in Davidson County, Tennessee, on or before October 10, 2012 for one day.
(County) (Month / day) (Year)

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This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that Select Specialty Hospital – Nashville, Inc., 2000 Hayes Street, Suite 1502, Nashville, TN 37203 ("Applicant"), managed by itself and owned by Select Medical Corporation, 4714 Gettysburg Road, Mechanicsburg, PA 17055 ("Owner"), intends to file a Certificate of Need application for the addition of thirteen (13) long term acute care beds to its hospital. There is no major medical equipment involved with this project. No other health services will be initiated or discontinued. It is proposed that the Applicant will continue to serve Medicare, Medicaid, commercially insured, and private-pay patients, and the Applicant will continue to be licensed by the Tennessee Department of Health. The estimated project cost is anticipated to be approximately $3,485,811.47, including filing fee.

The anticipated date of filing the application is: October 15, 2012.

The contact person for this project is E. Graham Baker, Jr. (Contact Name) Attorney (Title)

who may be reached at: his office at (Company Name) 2021 Richard Jones Road, Suite 350 (Address)

Nashville (City) TN (State) 37215 (Zip Code) 615/370-3380 (Area Code / Phone Number)

E. Graham Baker, Jr. (Signature) October 10, 2012 (Date) graham@grahambaker.net (E-mail Address)

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The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

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The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

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* The project description must address the following factors:

1. General project description, including services to be provided or affected.
2. Location of facility: street address, and city/town.
3. Total number of beds affected, licensure proposed for such beds, and intended uses.

4. Major medical equipment involved.
5. Health services initiated or discontinued.
6. Estimated project costs.
7. For home health agencies, list all counties in proposed/licensed service area.

CERTIFICATE OF NEED
REVIEWED BY THE DEPARTMENT OF HEALTH
DIVISION OF HEALTH STATISTICS
615-741-1954

DATE: December 31, 2012

APPLICANT: Select Specialty Hospital-Nashville
2000 Hayes Street, Suite 1520
Nashville, Tennessee 37203

CON # CN1210-053

CONTACT PERSON: E. Graham Baker, Jr. Esquire
2021 Richard Jones Road
Nashville, Tennessee 37215

COST: $3,485,811.47

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Health Statistics, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's Health: Guidelines for Growth, 2000 Edition*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

SUMMARY:

The applicant, Select Specialty Hospital-Nashville, Inc., located in Nashville (Davidson County), Tennessee, seeks Certificate of Need (CON) approval for the addition of thirteen long term acute care beds to its hospital at 2000 Hayes Street, Suite 1502, in Nashville. There is no major medical equipment involved in the project and no other health services will be initiated or discontinued. The applicant will continue to serve Medicare, Medicaid, insured, and private-pay patients. The facility is currently licensed for 47 beds and is in the process of adding 10 beds through the exemption for hospitals with less than 100 beds. If licensure approves the application, Select Specialty Hospital-Nashville will have 57 beds. The approval of this project would add 13 beds for a total of 70 beds.

Some of the costs of the project involve the total hospital (74,672 sq. ft.); therefore, the total hospital cost per square foot is approximately $30.10 if the entire square footage of the hospital is divided into the construction cost of $2,249,600. If just the patient rooms were considered the cost per square foot is approximately $54.17 per square foot (41,531 sq. ft.). Most of the renovation/build out costs for patient rooms will occur on the second floor. The approximate cost per square foot would be $227.88 (9,872 sq. ft.). The cost of the project is economically feasible and compares favorably to the HSDA construction costs for years 2009-11.

Select Specialty Hospital-Nashville, Inc. is 100% owned by Select Medical Corporation of Mechanicsburg, Pennsylvania.

The total estimated project cost is $3,485,811.47 and will be funded through cash reserves as documented in a letter from the Vice President and Treasurer of Select Medical Corporation, in Attachment C.EF.2., of the application.

GENERAL CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition*.

NEED:
The applicant's proposed service area is illustrated in the following chart, projected for 2013 to 2015.

Service Area Total Population Projections for 2013 and 2015

County	2013 Population	2015 Population	% Increase or (Decrease)
Bedford	48,883	50,572	3.5%
Cannon	14,409	14,702	2.0%
Cheatham	42,754	43,931	2.8%
Clay	8,225	8,295	0.9%
Coffee	55,229	56,357	2.0%
Cumberland	56,325	57,467	2.0%
Davidson	605,923	614,222	1.4%
DeKalb	19,529	19,901	1.9%
Dickson	50,287	51,460	2.3%
Franklin	43,427	44,115	1.6%
Giles	30,229	30,559	1.1%
Grundy	14,995	15,165	1.1%
Hickman	26,489	27,297	3.1%
Jackson	11,503	11,676	1.5%
Lawrence	43,007	46,666	8.5%
Lewis	12,306	12,537	1.9%
Lincoln	34,309	34,796	1.4%
Macon	23,452	23,975	2.2%
Marshall	31,287	32,016	2.3%
Maury	85,130	87,283	2.5%
Montgomery	161,265	165,625	2.7%
Moore	6,437	6,564	2.0%
Overton	21,467	21,688	1.0%
Putnam	73,212	74,702	2.0%
Robertson	69,680	72,006	3.3%
Rutherford	261,331	271,112	3.7%
Smith	20,330	20,817	2.44.
Sumner	164,575	169,122	2.8%
Trousdale	8,359	8,547	2.2%
Van Buren	5,522	5,561	0.7%
Warren	42,648	43,453	1.9%
White	25,711	26,103	1.5%
Williamson	188,259	196,824	4.5%
Wilson	116,150	119,788	3.1%
Total	**2,422,644**	**2,484,904**	**2.6%**

Source: *Tennessee Population Projections 2000-2020, February 2008 Revision*, Tennessee Department of Health, Division of Health Statistics

The following chart provides the most recent Joint Annual Report of Hospitals final data for the applicant's service area.

Davidson County Long Term Care Hospital Utilization, 2010

Facility	Licensed Beds	2010 Occupancy
Kindred Hospital-Nashville	60	38.7%
Select Specialty Hospital Nashville	47	93.3%
Total	**107**	**Average: 63.45%**

Source: *Joint Annual Report of Hospitals 2010,* Division of Health Statistics, Tennessee Department of Health

The applicant has operated at a high occupancy rate for several years. From 2009 through 2011, the applicant has operated at 94.7%, 93.3%, and 92.6% respectively. The Division for Policy, Planning, and Assessment calculated the 2015 bed need for the service area to be 124 beds. Currently, only 107 beds are licensed in the service area.

Kindred Hospital is the only other long-term acute care hospital (LTACH) in the service area and is licensed for 60 beds. During the same three year period, Kindred has operated at, 43.6%, 38.7%, and 38.8% respectively. The applicant believes Kindred Hospital does not operate at capacity because its location appears to be a hindrance to its utilization due to the fact it is located 15 minutes from downtown Nashville. Anecdotal information indicates that physicians prefer having a faster turnaround time for ancillary services for their patients and prefer having their LTACH patients closer to downtown Nashville.

The applicant is located across the street from Baptist Hospital and is centrally located. Ancillary services required by its patients are available across the street from Select Specialty Hospital-Nashville.

CMS regulations specify that in order to qualify as an LTACH, the average length of stay (ALOS) must be at least 25 days. Select Specialty Hospital-Nashville has an average ALOS of 33 days. The applicant has a higher acuity rate for their admissions than other Select Medical Corporation's hospitals due to their having a higher need for long term care than other LTACHs. It is believed that part of this is due to the fact that the facility operates at or near capacity and patients have to wait to be admitted to the applicant's facility, as their condition worsens. The applicant calculates the addition of beds will alleviate this problem and allow the facility to admit patients to the facility when their medical condition warrants admission to a LTACH.

The applicant already leases the entire 5 floor building in which the hospital is located, so no additional lease costs are involved with the project. Currently not all of the patient floors are being utilized. The second floor of the facility is not utilized at present and 20 private rooms (10 through the CON exemption plus 10 of the 13 beds requested in this application) will be added through renovation of this floor. The renovated space in the second floor totals 9,872 total square feet. The third floor already has 17 private rooms and will remain unchanged. The fourth floor has 16 private rooms and no beds will be added to this floor. The fifth floor has 14 patient rooms and three rooms will be added if this application is approved.

In addition, the renovation requested for second floor is a major build-out, which includes the installation of a new total hospital upgrade for medical air compression and medical vacuum/section systems.

It is important to mention that CMS imposed a moratorium on the expansion of LTACH services in the nation in 2008, and that moratorium expires at the end of calendar year 2012. The applicant is availing themselves of the opportunity to add needed beds as the restriction is being lifted.

Select Specialty Hospital-Nashville is operating near capacity and needs additional beds. There are currently 107 beds in the service area and a projected need in 2015 for 124 beds, so the area is under bedded. The applicant speculates the approval of the project should not negatively impact Kindred Hospital, the only other LTACH in Middle Tennessee.

TENNCARE/MEDICARE ACCESS:
The applicant is certified for both Medicare and Medicaid and has contracts with BlueCross/BlueShield and TennCare Select.

The following chart illustrates the number of TennCare enrollees in the applicant's service area.

TennCare Enrollees in the Proposed Service Area

County	2013 Population	TennCare Enrollees	% of Total Population
Bedford	48,883	10,346	21.3%
Cannon	14,409	2,847	19.8%
Cheatham	42,754	6,103	14.3%
Clay	8,225	2,001	24.3%
Coffee	55,229	11,079	20.1%

Cumberland	56,325	10,396	18.5%
Davidson	605,923	118,728	19.6%
DeKalb	19,529	4,312	22.1%
Dickson	50,287	8,936	17.8%
Franklin	43,427	6,622	15.2%
Giles	30,229	11,167	36.9%
Grundy	14,995	4,745	31.6%
Hickman	26,489	5,416	20.4%
Jackson	11,503	2,573	22.4%
Lawrence	43,007	8,673	20.2%
Lewis	12,306	2,805	22.8%
Lincoln	34,309	6,558	19.1%
Macon	23,452	5,584	23.8%
Marshall	31,287	5,591	17.9%
Maury	85,130	15,365	18.0%
Montgomery	161,265	23,765	14.7%
Moore	6,437	864	13.4%
Overton	21,467	4,633	21.6%
Putnam	73,212	14,196	19.4%
Robertson	69,680	11,489	16.5%
Rutherford	261,331	36,642	14.0%
Smith	20,330	3,922	19.3%
Sumner	164,575	22,937	13.9%
Trousdale	8,359	1,648	19.7%
Van Buren	5,522	1,199	21.7%
Warren	42,648	9,461	22.2%
White	25,711	5,695	22.2%
Williamson	188,259	8,848	4.7%
Wilson	116,150	14,067	12.1%
Total	**2,422,644**	**409,213**	**16.9%**

The applicant projects the anticipated Medicare revenues in year one will be $15,238,223 or 52.21% of net revenues and Medicaid revenues of $26,635,592 or 7.12%% of net revenues.

ECONOMIC FACTORS/FINANCIAL FEASIBILITY:

In the Project Cost Chart, the total estimated project cost is $3,485,811.47 which includes $337,400 for architectural and engineering fees, $50,000 for legal, administrative, and consultant fees; $2,249,600 for construction costs; $840,986 for fixed equipment; and $7,825.47 for CON filing fees.

In the Historical Data Chart located in Supplemental 1, the applicant reported 92% occupancy, 93.3% occupancy and 94.7% occupancy in 2009, 2010, and 2011 with gross operating revenues of $53,584,956, $51,686,902, and $56,640,648 each year, respectively. Contractual adjustments, provisions for charity care and bad debt reduced net operating revenues to $27,339,285, $26,312,970, and $26,635,592 each year. The applicant paid management fees to affiliates of $2,010,473 each year, respectively. The applicant reported net operating income of $3,992,903, $2,705,264, and $2,584,199 each year, respectively.

In the Projected Data Chart located in Supplemental 2, the applicant projects year a one occupancy of 69.23% and a year two occupancy of 84.62% with gross operating revenues of $78,006,403 and $82,585,945 each year, respectively. Contractual adjustments, provisions for charity care and bad debt reduced net operating revenues to $37,605,230 and $39,305,826 each year. The applicant paid management fees to affiliates $2,256,907 and $2,358,351 each year, respectively. The applicant projects an income of $4,047,779 in year one and $4,337,211 in year two of the project.

The applicant's gross charge in 2011 was $3,454, with an average deduction of $1,829, resulting in an average net charge of $1,616. The applicant anticipates their gross charge for the 13-bed addition to be approximately $3,397, with an average deduction of $1,739, resulting in an average net charge of $1,658, respectively. The applicant compares their charges with Kindred Hospital in Supplemental 1.

Kindred Hospital's average gross charge is $5159, with an average deduction of $3,464, resulting in an average net charge of $1,695.

The only alternative to this application was the consideration of constructing a separate medical gas system for the second floor only, as the current system is not adequate for the addition of patient rooms on that floor. It was decided that the installation of the new system, that will service the entire building, was the best alternative.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:

The applicant provides a listing of providers, heath care agencies, and working relationships with other agencies on page 50 of the application.

The applicant has transfer agreements with Seton Corporation (Baptist Hospital) for purchased services and laboratory services; Centennial Medical Center for purchased services, ancillaries, surgery and diagnostics; and Vanderbilt University Medical Center for purchased services, ancillaries, surgery, and diagnostics.

There are only two LTACHs in Middle Tennessee, both located in Nashville. The applicant is located across the street from Baptist Hospital and is centrally located. Ancillary services required by its patients are available across the street from Select Specialty Hospital-Nashville. The applicant has operated at a high occupancy rate for several years. From 2008 through 2011, the applicant has operated at 93.4%, 94.7%, 93.3%, and 92.6%.

Kindred Hospital is the only other long-term acute care hospital (LTACH) in the service area and is licensed for 60 beds. During the same four year period, Kindred had occupancy rates of 48.0%, 43.6%, 38.7%, and 20.7% respectively. The applicant believes Kindred Hospital does not operate at capacity because its location appears to be a hindrance to its utilization due to the fact it is located 15 minutes from downtown Nashville.

The applicant does not believe this project will have a negative affect on Kindred Hospital. It is the applicant's belief Kindred's location will continue to impact its location whether this project is approved or not.

The applicant provides the current and proposed staffing for the project on page 52 of the application. In Supplemental 1, the applicant indicates that in CY2011 Select Specialty average 1.53 hours of rehab per patient, and their average CY2012 year to date for rehab is 1.63 hours of rehab per patient. Nursing hours averaged 9.78 hours in CY2011, and their CY2012 year to date average is 9.95 hours. The applicant does not anticipate any change in the staffing pattern.

The applicant participates in the training of students and lists the student affiliations and the disciplines on page 54 of the application.

Select Specialty Hospital-Nashville is licensed by the Tennessee Department of Health, Board for Licensing Healthcare Facilities and accredited by the Joint Commission. The most recent licensure survey occurred on 5/18/2009 and no deficiencies were noted.

SPECIFIC CRITERIA FOR CERTIFICATE OF NEED

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's Health: Guidelines for Growth, 2000 Edition*.

LONG TERM CARE HOSPITAL BEDS

A. Need

1. The need for long term care hospital (LTH) beds shall be determined by applying the guidelines of (0.5) beds per 10,000 population in the service area of the proposal.

   The Division for Policy, Planning, and Assessment calculated the 2015 bed need for the service area to be 124 beds. Currently, only 107 beds are licensed in the service area.

2. If the project is a bed addition, existing long term care hospital beds must have a minimum average occupancy of 85%.

   Kindred Hospital has operated at, 43.6%, 38.7%, and 38.8% occupancy over the past three years. The applicant believes Kindred Hospital does not operate at capacity because its location appears to be a hindrance to its utilization due to the fact it is located 15 minutes from downtown Nashville. Anecdotal information indicates that physicians prefer having a faster turnaround time for ancillary services for their patients and prefer having their LTACH patients closer to downtown Nashville.

   Select Special Hospital-Nashville has operated at 94.7%, 93.3%, and 92.6% occupancy rates over the past three years and is nearing capacity.

3. The population shall be the current year's population, projected two years forward.

   The Division for Policy, Planning, and Assessment calculated the 2015 bed need for the service area to be 124 beds.

4. The primary service area can not be smaller than the applicant's Community Service Area (CSA). If LTH beds are proposed within an existing hospital, CSAs served by the existing facility can be included along with consideration for populations in adjacent states when the applicant provides documentation (such as admission sources from the Joint Annual Report).

   The applicant primary service area accounts for 90% of patient origin. The applicant's service area is illustrated in the NEED section of this report.

5. Long-term care hospitals should have a minimum size of 20 beds.

   The applicant currently has 47 beds and is applying for 13 additional beds.

B. Economic Feasibility

1. The payer costs of a long-term hospital should demonstrate a substantial saving, or the services should provide additional benefit to the patient over the payer cost or over the provision of short-term general acute care alternatives, treating a similar patient mix of acuity.

   The applicant's gross charge in 2011 was $3,454, with an average deduction of $1,829, resulting in an average net charge of $1,616. The applicant anticipates their charges for the 13-bed addition to be approximately $3,397, $1,739, and $1,658, respectively. The applicant compares their charges with Kindred Hospital in Supplemental 1. Kindred Hospital average gross charge is $5159, with an average deduction of $3,464, resulting in an average net charge of $1,695.

   By comparison, Middle Tennessee Medical Center, the largest provider in Rutherford County, from which the applicant receives the most referrals from outside Nashville, comparable figures for 2011 were $9,313, $6,432, and $2,881(Source 2011 JAR Provisional).

The applicant demonstrates a substantial saving over short-term general acute acre alternatives.

2. The payer costs should be such that the facility will be financially accessible to a wide range of payers as well as to adolescent and adult patients of all ages.

   The applicant is certified for both Medicare and Medicaid and has contracts with BlueCross/BlueShield and TennCare Select. They do not contract with AmeriGroup but work with them closely through single case agreements.

   Select Specialty Hospital-Nashville offers the service area significant access advantages. It is accessible and affordable to the widest range of payors.

   Typically, a good mixture of patients is about half Medicare and half private-pay, and their goal is to attain that mixture of patients. This is demonstrated by Select's historic payor source: 57.21% of patients are Medicare, and they anticipate no change in payor sources. Other payor sources include Medicaid at 7.12% HMO patients total 13.74%, Commercial Insurance accounts for 19.89%, with the remaining 2.04% being workers comp. patients.

3. Provisions will be made so that a minimum of 5% of the patient population using long-term acute care beds will be charity or indigent care.

   The applicant uses the term "FLO" days to denote unfunded patient days that DRG reimbursed patients frequently incur. Each patient is assigned a DRG code at admission. Each DRG has specific statistics associated with the code, including geometric length of stay (GLOS) and full DRG payment. Full DRG payment is not earned until a patient has stayed 5/6 of their GLOS. Prior to that point in their stay, the maximum for a patient is the hospital costs for that patient. Once the patient has reached 5/6 of their GLOS, full DRG payment is earned, and the patient enters the fixed-loss period. The current fixed loss is $15,408. This is the estimated cost based on the cost-to-charge ratio from the last filed cost report for the hospital. During the fixed loss period, no additional reimbursement is made. Only after the patient has exceeded the fixed loss is there any additional reimbursement. This reimbursement is only 80% of the hospital's costs. The figures in the chart below represent the days over the 5/6 GLOS date. The contractual amounts equal gross charges for those days, less any reimbursement for patients that went beyond the fixed loss threshold. As charity care is normally defined as the amount of care that a facility knows up front, that it will not be reimbursed, Select Medical Corporation considers these amounts to be the equivalent to charity care.

Select Specialty Hospital-Nashville, Inc.

Year	FLO Days	Uncompensated Care	As a Percentage of Gross Revenue
2009	2,726	$4,383,042	8.2%
2010	2,642	$4,238,665	8.2%
2011	3,066	$4,726,608	8.3%
Total	**8,435**	**$13,349,315**	

Source: Applicant

The above amounts are included in Contractual Adjustments. Total uncompensated Care for FLO days are listed above, along with the respective annual percentage of gross revenue.

C. Orderly Development

1. Services offered by the long term care hospital must be appropriate for medically complex patients who require daily physician intervention, 24 hours access per day of professional

nursing (requiring approximately 6-8 hours per patient day of nursing and therapeutic services), and on-site support and access to appropriate multi-specialty medical consultants.

As an existing provider of LTACH services, the applicant will continue to ensure that each patient presented for health care services will be an appropriate admission for a long-term acute care bed, including those patients requiring daily physician intervention, 24-hours access per day of professional nursing (requiring approximately 6-8 hours per patient day for nursing and therapeutic services0. and on-site support, and that appropriate multi-specialty medical consultants will be available for each patient.

Patient services should be available as needed for the most appropriate provision of care. These services should include restorative inpatient medical care, hyper- alimentation, care of ventilator dependent patients, long term antibiotic therapy, long-term pain control, terminal AIDS care, and management of infectious and pulmonary diseases.

As an existing provider of LTACH services, the applicant will continue to ensure that each patient presented for health care services will be an appropriate admission for a long-term acute care bed, including services to include restorative inpatient medical care, hyperalimentation, care of ventilator dependent patients, long-term antibiotic therapy, long-term pain control, terminal AIDS care, and management of infectious and pulmonary diseases.

Also, to avoid unnecessary duplication, the project should not include services such as obstetrics, advanced emergency care, and other services which are not operationally pertinent to long term care hospitals.

The applicant does not and will not provide obstetrics, advanced emergency care, or other services which are not pertinent to long-term care hospitals.

2. The applicant should provide assurance that the facility's patient mix will exhibit an annual average aggregate length of stay greater than 25 days as calculated by the Health Care Finance Administration (HCFA), and will seek licensure only as a hospital.

   As an existing provider of LTACH services, the applicant will continue to ensure that each patient presented for health care services will be an appropriate admission for a long-term acute care bed, one which is that ALOS should be greater than 25 days as calculated by CMS.

3. The applicant should provide assurance that the projected caseload will require no more than three (3) hours per day of rehabilitation.

   The applicant will insure that the projected caseload will required no more than 3 hours per day of rehabilitation.

4. Because of the very limited statewide need for long term hospital beds, and their high overall acuity of care, these beds should be allocated only to community service areas and be either inside or in close proximity to tertiary referral hospitals, to enhance physical accessibility to the largest concentration of services, patients, and medical specialists.

   The applicant will ensure that the beds will be allocated only to community service areas and will be in close proximity to tertiary care referral hospitals, which will enhance physical accessibility to the largest concentration of services, patients, and medical specialists.

5. In order to insure that the beds and the facility will be used for the purpose certified, any certificate of need for a long term care hospital should be conditioned on the institution being certified by the Health Care Financing Administration as a long term care hospital,

and qualifying as PPS-exempt under applicable federal guidelines. If such certification is received prior to the expiration date of the certificate of need, as provided in Tennessee Code Annotated (TCA), Section 68-11-108(c), the certificate of need shall expire, and become null and void.

The applicant states that the beds will be used for the purposes certified, and agrees to the condition that heir facility will continue to be certified by CMS as long-term care hospital, and qualifying as PPS-exempt under applicable federal guidelines.

Kindred Hospital Nashville
412 County Hospital Rd
Nashville, TN 37218
615.687.2522

January 7, 2013

Melanie Hill
Executive Director
Tennessee Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

RE: CN 1210-053 Select Specialty Hospital – Nashville, Inc

Dear Ms. Hill:

Kindred Hospital Nashville strongly opposes Certificate of Need application (CN 1210-053) filed by Select Specialty Hospital – Nashville, Inc. (Select) to add 13 LTACH beds in Davidson County. Kindred's opposition is based on the following reasons:

First, neither the State's need methodology nor the applicant's utilization trends justify the addition of the requested 13 beds to the facility. In its application, Select calculates the LTACH bed need in its middle-Tennessee service area at 123 beds for the 2014 planning year. However, Select is planning to add a total of 23 beds, 10 through the exemption process and 13 beds through the CON process, which would bring the total number of LTACH beds in its service area to 130. This increased number of total beds exceeds the need for the planning area. In addition, on page 19 of Supplemental Response #1, Select Specialty Hospital Nashville shows a year over year decline in inpatient days and occupancy percentage. These facts do not demonstrate a need for additional beds in the middle Tennessee planning area.

Second, Kindred Hospital Nashville has substantial unused bed capacity available to care for the additional patients that Select proposes to serve. Kindred Hospital Nashville's 60 LTACH beds operated at only 42 percent occupancy in 2012. Therefore, Kindred Hospital Nashville has 34 empty beds on average to treat patients in the area. Reasonable health planning principles suggest that a market should use existing beds prior to adding new beds.

Third, approval of the application will have a significant adverse impact on Kindred Hospital Nashville. Due to a lack of need in the service area for the requested beds, the addition of beds

at Select Specialty Hospital Nashville will likely result in a reduction in patients at Kindred Hospital Nashville and that in turn will negatively impact Kindred's financial soundness. Furthermore, Kindred leases space and services from the Metropolitan Hospital Authority of Davidson County, and the negative impact on Kindred could also negatively impact Davidson County through a reduction in purchased services.

In summary, Kindred Hospital Nashville has provided high quality long-term acute care services to the middle Tennessee service area for many years. The approval of additional beds at Select Specialty Hospital Nashville is not justified by need, will result in a wasteful duplication of services, and will significantly adversely impact Kindred Hospital Nashville. For these reasons we ask the Tennessee Health Services and Development Agency to deny CN 1210-053.

Please do not hesitate to contact me at (615) 687-2602 if you have any questions or need any additional information. Thank you for your time and assistance.

Sincerely,

William Macri
Chief Executive Officer

Metropolitan
Nashville Hospital Authority

Nashville General Hospital at Meharry | Knowles Home Assisted Living & Adult Day Services | Bordeaux Long-Term Care

January 10, 2013

Melanie Hill
Executive Director
Tennessee Health Services and Development Agency
500 Deaderick Street, Suite 850
Nashville, Tennessee 37243

Re: CN 1210-053 Select Specialty Hospital – Nashville, Inc.

Dear Ms. Hill:

The Metropolitan Nashville Hospital Authority, which includes Nashville General Hospital, Bordeaux Long Term Care, and Knowles Assisted Living and Adult Day facility, strongly opposes the Certificate of Need application (CN 1210-053) that Select Specialty Hospital – Nashville, Inc. (Select) filed recently to add 13 LTAC beds in Davidson County. We offer this opposition because we believe that there are already sufficient LTAC beds in the county to more than fulfill the needs of Davidson County residents.

Fundamental to the Certificate of Need review process is an applicant's ability to prove that there is a need for a new health care service. Select has not taken into consideration the MNHA's own facility on its Bordeaux Senior Campus at which Kindred operates a 60 bed LTAC unit. Select asserts in its calculations that the LTAC bed need in its middle-Tennessee service area is 123 beds for the 2014 planning year.

Select is planning to add a total of 23 beds. It would accomplish this addition by gaining 10 through the exemption process and 13 beds through the CON process. This formula would bring their total number of LTAC beds in its service area to 130. This increased number of total beds exceeds the need for the planning area. In addition, on page 19 of Supplemental Response #1, Select Specialty Hospital Nashville shows a year over year decline in inpatient days and occupancy percentage. These facts do not demonstrate a need for additional beds in the middle Tennessee planning area.

From our experience on our Senior Campus, Kindred Hospital Nashville has substantial unused bed capacity available to care for the additional patients that Select proposes to serve. Kindred Hospital Nashville's 60 LTAC beds operated at only 42 percent occupancy in 2012. Therefore, Kindred Hospital Nashville has 34 empty beds on average to treat patients in the area. Reasonable health planning principles suggest that a market should use existing beds prior to adding new beds.

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We are quite concerned that CON approval of this application will adversely impact our Kindred partner on the Senior Campus. Due to a lack of need in the service area for the requested beds, the addition of beds at Select Specialty Hospital Nashville surely will result in a reduction in patients at Kindred Hospital Nashville and that in turn will negatively impact Kindred's financial soundness as well as that of our Bordeaux facility which provides all manner of clinical and support services to Kindred. By implication, this will affect and impact Davidson County Government because Bordeaux will experience reduced revenue, meaning it will have reduced capacity to care for its long term care residents.

We believe that the CON approval will negatively impact our Bordeaux facility and Kindred and, frankly, result in a wasteful redundancy of LTAC beds, not to mention a duplication of services that Kindred Hospital Nashville provides already. For these reasons we ask the Tennessee Health Services and Development Agency to deny CN 1210-053.

Please do not hesitate to contact me at (615) 341-4491 if you have any questions or need any additional information. I thank you for your consideration and respectfully remain,

Sincerely yours,

Jason Boyd, FACHE
Chief Executive Officer

C: Select Specialty Hospital - Nashville, Inc.
2000 Hayes Street, Suite 1502
Nashville (Davidson County), TN 37203
ATTN: E. Graham Baker, Esq.